THE WHITE HOUSE

WASHINGTON

Dear Federal Manager:

On behalf of President Reagan, I would like to commend **Management** magazine for devoting this issue to "The Pursuit of Excellence: Performance Management and Government for the 80's."

The Reagan Administration shares a common goal with federal managers and all other federal employees: To make government work better. We believe it is our duty, as custodians of the machinery of government, to make sure that Americans receive the greatest value for each of their tax dollars.

We realize that meeting this goal is often not easy. In fact, time and again, managers in the federal work force have described to us how the federal personnel system can act as an impediment to efficiency. We have become convinced that, as presently structured, the personnel system frequently discourages initiative and penalizes outstanding employees by treating all workers alike, regardless of how well they do their jobs. We believe this is unfair.

We are, therefore, working to correct this problem by making certain improvements in the personnel system. We will attempt to encourage valued, experienced employees to remain in government, rather than seeking work in the private sector. And we plan to stress job performance over time-in-grade in determining salary increases, and to place performance above seniority in making necessary forced reductions.

These and other reforms are guided by the fact that federal employees, on the whole, are dedicated and conscientious public servants, and that there are thousands of employees—and, potentially, many thousands more—who are outstanding performers.

In order to secure federal workers' best efforts, President Reagan is acting on his experience during his eight years as Governor of California, in which he found that employees could be assisted, rewarded and motivated by applying sound management techniques that had proven successful in the private sector.

To be sure, there are marked differences between the public and private sectors; the federal government cannot be run as if it were nothing more than a giant corporation. Nevertheless, human nature is such that employees in both sectors want to be recognized and compensated for doing well.

I might add that we are not the first administration to hold this view. It was at the behest of President Carter that Congress passed the Civil Service Reform Act of 1978.

Among other provisions, this legislation required federal agencies to develop performance evaluation procedures for employees, gave federal managers greater flexibility in removing incompetent workers, and provided merit pay for outstanding service.

The Reagan Administration intends to build on the reforms contained in the Civil Service Reform Act—a move that will significantly improve the working environment for all government employees.

Whereas the federal manager's role was once circumscribed by rigid rules, you now have increasing discretion. Like your counterparts in the private sector, you are now responsible for evaluating employee performance, determining pay, and disciplining and discharging employees who fail to properly carry out their duties.

Your role will be increasingly creative, challenging, and important in the years ahead. The quality of your work will, more and more, be the foundation of a sound, professional federal civil service.

The articles contained in this issue of **Management** will help you in your task. I have found them to be a welcome addition to the discussion of this vital subject, and hope they will be widely read.

Cordially,

Edwin Meese III

Edwin Meese III
Counsellor to the President

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TV Sitcoms and the Government Worker

By David A. Turner

"Golly Andy," fusses county clerk Howard Sprague to Mayberry's famed television sheriff, Andy Taylor, "federal officials are coming through Raleigh tomorrow and they need these reports pronto. Washington doesn't abide sloppy workmanship," the actor's voice drops to an earnest whisper, "Those guys only do top notch work...only top notch."

Situation comedy (sitcom) actor Jack Dodson spent years portraying clerk Sprague—the mythical town of Mayberry's meticulous civil servant—on the highly popular *Andy Griffith Show* (1960-68). Dodson can still rattle off that line with the familiar honor-student enunciation which became his trademark on the program and its television spinoff, *Mayberry RFD* (1967-71).

Management magazine caught up with Dodson on Broadway where he is currently starring in a revival of, *You Can't Take It With You.*

"Howard took public service very seriously," recalls Dodson about his old character. "It was a huge part of his life—he lived a quiet life, with his Mother, you may recall.

"If he seemed to take himself and his job a bit too seriously at times," teases Dodson, "well, that was just the perception many Americans had about government workers. One thing though," he adds, "every taxpayer served by real-world bureaucrats like the one I portrayed could be certain they were getting conscientious, craftsmanlike work. Old Howard always bent over backwards to lend a helping hand."

We asked about the sense of awe which county employee Sprague seemed to reserve only for federal government officials. "Oh yes," reflects Dodson, "and Deputy Fife (Don Knots) held a similar view of law officials at the federal level. In the America portrayed by *Mayberry* the federal service was strictly for achievers; really hard workers who took big risks and scored big victories for citizenry. To Howard Sprague and Barney Fife, Washington bureaucrats were heroes."

In the decades since Dodson molded his version of a dedicated public servant, drastic changes have ripped apart the kindly, meticulous—occasionally eccentric—image civil servants enjoyed on television.

Sadly, a less positive image of public servants at all governmental levels is being projected over and over in new situation comedies and on the silver screen. For example, by the time actor Dodson finally got a chance to portray a Washington official in the 1978 sitcom, *All's Fair,* his role was that of an irresponsible bumbler.

Last month, a new police show pilot aired on a national network. The plot pitted the manager of New York's Police Department against an array of petty federal regulators. The career feds dogged the harassed protagonist with demands for stacks of management-by-objective paperwork. Worse, as the plot thickened, viewers discovered federal workers were cooperating with criminals in an ethically misguided effort to "serve their own agencies' interests."

What has happened to our image?

A call to the screenwriter for the recent police show turned up a spokesperson whose only defense for the sorry portrayal of federal workers was that she merely "projected popular thinking about haughty, wasteful performers in D.C..." In short, she indicated her script didn't "make the news, it just hyped it."

Like many Americans who have watched the old *Andy Griffith Show,* I share character Howard Sprague's view that hard workers and dedicated performers set the pace in each federal office. The national government is a very special work place geared to—and suited for—achiever types.

But, like the police-show screenwriter, I also have detected an unresponsive attitude among many employees. If there's some truth in the image projected throughout the current crop of TV shows and movies, what brought about the change? What can we do to correct this perception?

This special issue of **Management** heralds one theme—the pursuit of excellence, individually and institutionally. Such excellence begins by rewarding good work.

In his column, Baruch College's Richard Kopelman argues the old system of across-the-board rewards discourages top performance and leads to organization decay and failed programs. The article by Lee Treese, **Management's** honored first editor, "Harvest of Carrots—Not Sticks—for Federal Managers," discusses strong new steps you may use to encourage merit performance in your office.

Even **Management's** book reviews and our new "Ms. Management" advice column take a special look at the performance management philosophy.

As for the television image of government workers, **Management** magazine will continue to register our concerns with producers whenever we see federal workers unfairly portrayed on sitcoms. We would appreciate your help in pinpointing these shows—and we promise to do the legwork.

But, we urge each of our readers to take a look at the articles in this issue. They outline management tools which not only assist you as a manager to achieve your agency's mission, but they also will help improve the distorted image which a growing number of Americans hold about federal employees. ■

NITTY GRITTY

By Tierney Bates

Teachers may graduate to merit pay. Merit pay is quickly emerging as an issue in the federal government. But teachers, and especially the **National Education Association** (NEA), the **American Federation of Teachers** (AFT), and **President Reagan** already are focusing on this system of rewarding good performance.

President Reagan is backing the "master teacher," plan which would award bonus pay of up to $7,000 annually to the nation's best teachers. "We just aren't getting our money's worth," says the President.

At the opposite end of the spectrum, NEA representatives are calling for across-the-board salary increases for all teachers. The AFT supports many of the President's other education reforms but is reserving judgment on merit pay for teachers.

Early indications are that the President has touched a very positive chord among taxpayers with the merit pay principle. Despite pouring $80 billion in federal aid to public elementary and secondary schools since 1970, national SAT scores among America's high school students have plummeted.

Neoliberalism and the 50 percent solution. "Sports and the performing arts are the last areas of American life in which demonstrated ability is the only test for hiring, firing and promotion," says **Washington Monthly Editor Charles** Peters.

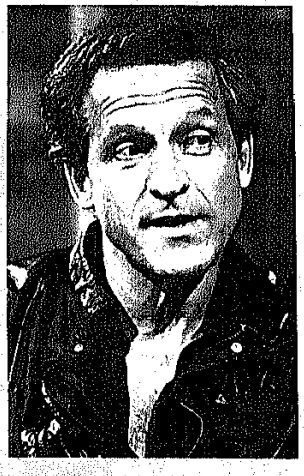
In **"A Neoliberal's Manifesto,"** he urges managers to bring this kind of performance accountability to the federal work force. Peters **believes** that an "indifference to performance" has caused a decline in the federal government's efficiency. Referring to bureaucratic reductions in force, Peters says, "People are being fired, not for lack of ability but for lack of seniority. Someone who has been around a long time can 'bump' a younger employee even when the junior official is much more talented and dedicated."

He suggests that creating a new work force in which half the employees are political appointees and half career civil servants would assure both an "accountable government" and the "institutional memory" needed for continuity in the system.

Peters supports an approach to management thinking which emphasizes "innovation, risk-taking, and experimentation." This would motivate citizens, who are discouraged by the currently "unaccountable civil service" to speak up rather than give up on problems that diminish the quality of their lives.

The cop-manager. Police **Captain Furillo** on **Hill Street Blues** is becoming "super-manager" in the eyes of executives across the country, according to broadcast talk show **host, Larry King.**

The mild-mannered public servant, with a rock-hard commitment to the needs of the average citizen, is seen as the ideal administrator, said actor **Dan Travanti** (who portrays Furillo) during an interview on *The Larry King Show.* Managers also see the captain's low-key management style as as a good way to motivate employees and encourage near-heroic performance.



Qualities to emulate: Being an objective and sympathetic listener; fighting against apathy within one's own bureaucracy; trusting employees to handle assignments, and keeping a sense of humor and a cool head when reprimanding poor performers.

Furillo as "super-manager" is spreading via posters such as the one Travanti received from a group of university students. It shows the captain, dressed in a three-piece suit, above the caption, "Everybody who is thinking of being a boss should watch *Hill Street Blues.*"

Patronage model. Chicago—America's "best run" city—will have at least 250 political appointees on its payroll, says the federal judge who struck down the city's famed "patronage" system.

"That's too low!" complained newly elected **Mayor Washington.** He feels the 250 figure (which is .6 percent of the overall work force) should be upped to 1,200 (approximately 3 percent).

All of which compares with the almost invisible presence of political job slots in the federal government—.015 percent. Interestingly, as a congressman in Washington, D.C., Chicago's newly elected mayor strongly criticized the Reagan Administration for making too many political appointments.

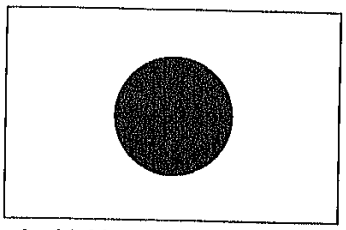
Fonda's fable. Jane Fonda's portrayal of a liberated secretary in the movie **Nine to Five** seems sincere. Challenging this image, however, is a recent sex discrimination suit against Fonda by three women who used to work at *Jane Fonda's Workout* in San Francisco.

They charge that Fonda paid them $6 an hour to train customers on Nautilus equipment while two male employees got $7 for the same work. One of the women, **Mary Conn**, 29, says bitterly, "Jane stands for so much—women's rights and all these good things—but she doesn't follow through."

The *Nine to Five* parody of office life harshly criticizes such poor management tactics by characterizing the male supervisor as a tyrant ruling his female subjects.

No settlement has been reached yet in the discrimination suit, but it appears the judge will decide who's the real-life heavy at Fonda's spa. (Ed. Note: Fonda's present problems are not unprecedented, however, as she posed for a military recruiting poster in the early 1960's. Some years later, Fonda gained world-wide publicity by posing on a North Vietnamese anti-aircraft gun, one part of a deadly air defense system that killed hundreds of America's fighter pilots.)

Rising sun, shrinking agencies. Buoyed by electoral gains in upper-house elections this summer, **Japanese Prime Minister Nakasone** surprised many observers when he suddenly proposed major cutbacks in the country's federal work force.



Nakasone, who served as head of Japan's version of the Office of Personnel Management before becoming Prime Minister last year, is also calling for internal reforms which would increase employee efficiency in government offices.

Launching a campaign to increase employee performance in highly-motivated Japan sounds almost like a management impossibility. In fact, their civil service has lagged far behind the dynamic employee-management affairs in Japan's amazingly productive industrial sector.

Sino-expert **Milton Friedman** says Japan's public service system is almost moribund in an "employee protection" straightjacket which was adopted in the mid-1950's. "Don't expect the reforms to be resolved without a fight," warns Friedman, "the Japanese are both the most obliging and most stubborn people on earth." Nakasone has called for setting his changes in place by year's end. Sound familiar?

Play the manager game. In "Ten Keys to Managerial Success," (**National Business Woman,** April/May 1983) **Drake University's Marjorie Prentice** discusses the results of 200 hours of conversation with successful women managers.

Women will be rewarded—as men are—for taking "calculated risks," showing initiative, and learning from their mistakes, says Prentice. This strategy doesn't guarantee success, but it helps women compete in the male-dominated game of upward mobility.

Speaking of upwardly-mobile women execs, Prentice advises, "You should learn how to use these behaviors to your advantage since risk taking and initiative are qualities related to effectiveness."

Make mistakes or you're fired! Chairman of Continental Telecom Inc. (CTI), **Charles Wohlstetter,** believes in taking risks.

He urges new managers to vocalize even their "wildest" ideas if they hope to survive in his organization, the nation's **third largest non-Bell telephone system.** Ideas are valued as a sign that managers are thinking, a quality Wohlstetter has cherished since taking his first job in 1929.

Wohlstetter rejects the view that a phone company should act like a stalwart utility. He says CTI operates more "in the style of a company that pays off on ideas" than as a public utility.

A HARVEST OF CARROTS— NOT STICKS— FOR FEDERAL MANAGERS

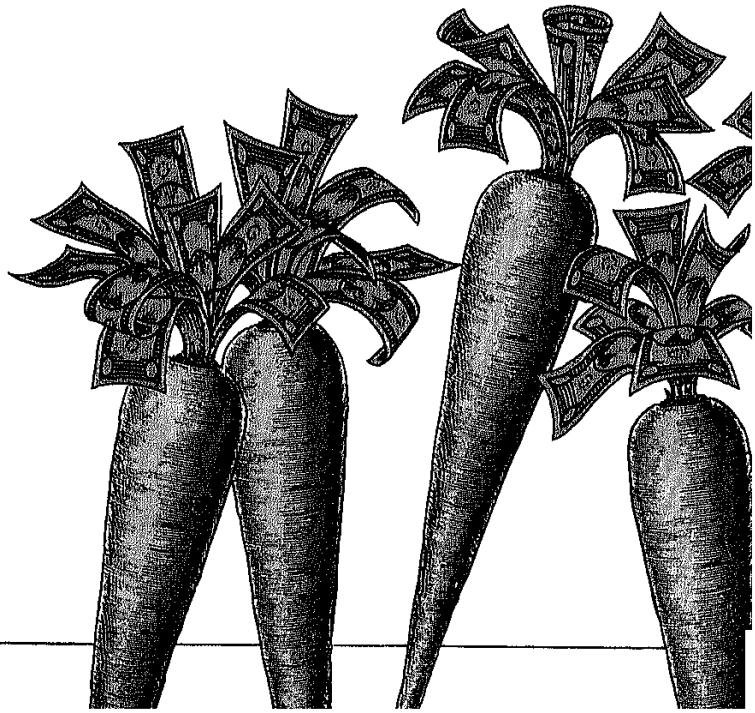
By Lee Treese

During media coverage preceding passage of the Civil Service Reform Act (CSRA), a 24-foot chart was unrolled before television cameras. It depicted in exquisite detail the laborious steps involved in the 540 workdays needed to remove an incompetent federal employee. The chart, a composite of several bureaucratic horror stories, became a legend in its own time. (It was so useful, in fact, that it reportedly is alive, well and somewhere at the Office of Management and Budget.)

Further hyping of the negative side of President Carter's proposed reforms came in a series of newspaper cartoons. Among several unflattering images, these showed terrified bureaucrats forming their desks in a circle to fight off the warriors of change. The lobbying was effective, but it left a sour taste with some of the very individuals who stood to benefit most from the law.

In short, the media campaign nearly concealed a major intent of CSRA— rewarding outstanding workers.

It is the more positive intent of the Reform Act, the side that emphasizes the carrot rather than the stick, that has become the focus of several initiatives proposed by President Reagan through the Office of Personnel Management (OPM). The regulations, which have received widespread comment from federal agencies, were published for comment in the *Federal Register* a second time in mid-July, following revisions based on comments on the initial proposal unveiled in March. While specific provisions will be fine-tuned, the



direction is clear: federal employees deserve a consistent, fair and sensible personnel system that ties performance expectations to agency goals, rewards performance over longevity, and builds on agencies' experience with the Act so far.

The premise is as American, to coin a phrase, as apple pie and Horatio Alger: Employees should be paid on the basis of what they accomplish. In simple situations, an employee is told what has to be done, how well it is to be done and when it is to be done. A boss can look at results and pay the worker accordingly. Translating the premise to a system that includes 6,400 senior executives, more than 100,000 merit pay managers, and nearly 2 million employees under CSRA-mandated performance appraisal systems was not a simple proposition. And in the fifth year following passage of the Act, we are far from "there" yet.

Where do we stand?

Mayor Ed Koch is fond of shouting to New Yorkers, "How am I doing?" If he gets cheers and whistles, he figures he's doing all right. Although OPM does not as yet have a broad base of scientific information on attitudes among employees affected by reform provisions, preliminary studies that are a little broader, if less gratifying than the Mayor's, have given some indications as to how far the system has come.

For a variety of reasons, there are few cheers and whistles just yet. Merit pay, for example, has not achieved immediate perfection or overwhelming acceptance. The 1981 GAO decision that resulted in a severely limited amount of money available for payout interrupted a pattern established by the eight agencies that implemented their systems in 1980 and was a severe setback for those whose initial payout was to be in 1981. If a system promises pay for performance, the pay has to be there in sufficient supply to make a substantial difference in top performers' paychecks. As Saul Gellerman and Edward Lawler have observed, using pay to encourage job performance, is "not a piker's game." (*Pay and Organizational Effectiveness* 1971)

In 1981, there was a piker's payout. The money in the fund, however, was not the only problem; in some agencies, the pattern of ratings was so skewed upward (in one case, 85 percent were rated at above fully successful) that amounts of increase were nearly imperceptible, or ratings were so low (only 17 percent above fully successful in another agency) that they appeared overly harsh. In some cases, managers who were rated fully successful received less than their nonmerit pay counterparts received under the general schedule.

"Motivation depends upon a belief that pay and performance are related."

Managing merit pay

Although agency management can adjust the amount going into individual agency pools, an agency's total fund is limited by an amount based on the number of people in the agency who are covered under merit pay. No matter how it is divided, the pie itself does not increase. Given that restriction, a comprehensive view of rating distributions for agencies-at-large is necessary if payouts given are to provide outstanding workers with appropriate rewards. Individual ratings given with no awareness of the patterns being created and the payouts likely to result are like putting a note into a bottle and sending it out to sea; the consequences may be surprising for everyone concerned.

To encourage a more comprehensive view of rating consequences, OPM's proposals introduce into regulation the function of pool manager. The manager—often the same person who performs the second-level review of performance ratings, but in some cases an official above that level—should have both a familiarity with the contributions of the people being rated and a broad perspective of the patterns created by ratings within the pool. Pool management should take place throughout the entire performance appraisal period, beginning with communicating a level of expectation to supervisors in setting standards that are fair, accurate and consistently demanding across pools. Most of the credibility problems that have resulted from what seemed to be unfair and uninformed revisions in employee ratings can be avoided when the manager's role is apparent throughout the appraisal period, not just at the time a rating is given and reviewed. (Although there is some ironing out still to be done, it should be noted that ratings now being given produce distributions that are not beyond the pale, government-wide. Figures on the 1982 summary ratings show a mean performance result of 3.8 on a five point scale. This mean rating is lower than "exceeds fully successful.")

Performance appraisal

OPM proposes to extend performance-based financial incentives beyond the merit pay system to the entire white collar work force. The fundamental principle of consistently administered pay for performance will continue to be a fair and accurate performance appraisal system.

By Herculean efforts, all but one of the 95 agencies subject to the performance appraisal provisions of CSRA had their systems approved and in place by the October 1981, deadline. That there are some problems during the shakedown period is not peculiar to government. When a 1981 Work in America Institute survey asked 360 managers in 190 organizations to evaluate their firms' appraisal systems, many of the respondents had similar complaints: inadequate communication between supervisors and subordinates, too much paperwork, standards unrelated to the job and too little time given to the review process. The fact that federal employees are not alone is, of course, small consolation. Obviously, problems are to be expected in an undertaking that is both more complex in some cases than it needs to be and as gigantic as it must be. On the basis of two appraisal cycles, lessons have been learned that can be incorporated as the system evolves.

To strengthen the performance appraisal process and to better integrate it into overall management

of agencies, OPM's proposals include second level review of elements and standards for employees in addition to a second level review of the ratings given. This early involvement at the second level would make rating officials more accountable in doing a better job of setting standards and elements and would help assure that performance plans tie in with agency goals. Early on, there would be better assurance that goals established at the policy levels of government were translated throughout organizations in terms that are clear, can be measured, and equally important, can be intelligently assessed at the end of an appraisal period.

Active involvement of employees in setting standards, encouraged in the Reform Act, is further emphasized. Such participation can be the tie that binds; the Merit Systems Protection Board's 1981 survey of merit pay managers showed that, where employees were involved in standards setting, 76 percent felt that their performance was fairly and accurately rated, compared to 38 percent where they were not involved.

Having employees participate in establishing their elements and standards is not simply a nice gesture on the manager's part; it is a way of establishing up front a clearly understood set of goals. A mutual process is not only an opportunity to discuss and describe work, it is a way of directing and accomplishing work.

Performance appraisal is not an annual event, it is a process. Evaluation, whether it is of individual performance or organizational results, is the essence of a manager's job.

Money and motivation

As a topic for philosophical discussion, the value of money as a motivator can be played off against theories of self actualization and the inherent value of work itself. In a reward system, the question need not confine itself to an either/or situation.

Very recently, a report by Opinion Research Corporation (*Managing Human Resources, 1983 and Beyond*) reported on a study involving 250,000 employees in 20 organizations over a period since the 1950's. Workers were asked to rank the following work values: pay and benefits, job security, being treated with respect and consideration, working with people you like, convenient work hours, physical working conditions, working for a supervisor you respect, opportunities for advancement, chance to learn new skills and develop new talents, chance to do challenging and interesting work, authority to make decisions, chance to have your ideas adopted, opportunity to experience a real sense of accomplishment, and chance to get enjoyment day in, day out from work.

Respondents were divided into four groups: managers, professionals, clerical workers and hourly workers. Of these, all but the professionals considered pay and benefits their top work value. And the professionals rated pay and benefits second after advancement. The study concludes, "There is no excuse for promoting and paying on a nonmerit basis."

Where do we go from here?

In the early stages of any enterprise, a great deal of emphasis must be placed on mechanics. Getting performance appraisal and merit pay systems into place and in operation has taken substantial effort, and making the systems work better will take more effort. As the systems are improved and fine tuned, increasing emphasis must be placed on both the immediate results (Was top performance rewarded?) and the long term impact (Did rewards motivate workers to increased effectiveness and greater productivity.)

The immediate results must be both actual and perceived. Performance must not only be rewarded, there must be a general understanding that it is and confidence that it will continue to be rewarded. "Motivation," says Lawler, "depends upon a belief that pay and performance are related. In the absence of information about how they are related, most individuals cannot be expected to believe they are to perform accordingly." Employees who do not see outstanding work rewarded can't be expected to believe that poor performance will have consequences or that their work will receive a reward.

Over a century ago, Emerson observed that government had been a fossil, when it should have been a plant. The system of incentives provided by the Civil Service Reform Act is not a fossil; it continues to grow and evolve. At this stage in its development, OPM's proposed regulations aim to assure sufficient rewards for outstanding workers as an example to workers at all levels. A system that provides an effective carrot can concentrate less on the stick. ■

IN SEARCH OF EXCELLENCE
Lessons from America's Best-Run Companies

By Thomas J. Peters and Robert H. Waterman, Jr. (Harper Row)

America's most excellent companies are "experimenters supreme," say Thomas Peters and Robert Waterman, in their best-selling book, *In Search of Excellence: Lessons From America's Best-Run Companies.* These companies are successful because they emphasize creativity and risk-taking, reward systems, enthusiasm, and personal accountability for the company's achievements. Profit-making, non-profit, or government—any organization's workforce can benefit from performance management.

"The innovative companies foster many leaders and many innovators throughout the organization. They don't try to hold everyone on so short a rein that he can't be creative. They encourage practical risk-taking, and support good ideas. . . excellent companies treat the rank-and-file as the root source of quality and productivity gain. They do not foster we/they labor attitudes."

Excerpts and review by Tierney Bates; Reprint permission granted courtesy Harper Row Publishing.

GOVERNMENT "IN SEARCH "XCELLENCE"

By Donald J. Devine

If there's a proven formula for management success, economic consultants Thomas Peters and Robert Waterman have it. Their secret—a system that rewards workers who risk doing the job differently and encourages creative thinking.

The Peters-Waterman best seller, *In Search of Excellence: Lessons from America's Best-Run Companies*, also has a lesson for government; performance management can be the key to achieving efficient and effective government as well as increasing employee morale at all levels.

What makes a successful organization tick? First, according to Peters and Waterman, there is a do it—try it—fix it psychology which solves problems quickly and efficiently, without dilly-dallying over decision-making. Second, a system should encourage employees of all levels to be creative, to take "practical risks." These institutions know their workers are their most important assets.

When it comes to goals, excellent organizations really stick to their knitting. Structurally, they are "elegantly simple." Lean of staff, they balance centralization and decentralization, allowing fuzziness around the edges of management. Performance is more important than bureaucratic organization charts.

How does this philosophy, aimed at the business world, apply to government management? Quite simply, Peters and Waterman have outlined a system which rewards merit and accomplishment and, when applied to government, offers federal workers the opportunity to excel as individuals.

To quote Douglas MacArthur, "There is no security on this earth, there is only opportunity." By placing value on performance, we can offer employees such opportunity while maintaining program continuity, enhancing individual incentive and, thereby, improving the day-to-

Hewlett-Packard's Bill Hewlett:

"...men and women want to do a good job, a creative job...if they are provided with the proper environment, they will do so... The achievements of an organization are the results of the combined efforts of each individual."

Feeling like a winner

Peters and Waterman believe, as psychologists suggest, that everyone thinks of himself as a winner. Managers in the excellent companies nurture this innate impression. They encourage innovation and risk-taking and discourage punishment for small failures.

"We are creatures of our environment, very sensitive and responsive to external rewards and punishment... The message that comes through so poignantly in the studies we reviewed is that we like to think of ourselves as winners. The lesson taught by excellent companies is that there is no reason why we can't design systems that continually reinforce this notion."

The "rally" system

Motivating employees to perform well is a key management task. Peters and Waterman use Tupperware to illustrate how an excellent company motivates its employees through peer group "rally" sessions.

"The evaluation technique is informal rather than paper-laden. In fact, the entire Tupperware system is aimed at generating good news...when we look at Hewlett-Packard, Tupperware and others, we see a very conscious management effort to do two things: Honor with all sorts of positive reinforcement any valuable completed action by people at the top and more especially way down the line (and) a high volume of opportunities for good news swapping."

This enthusiasm begins with the senior managers who decide what the company stands for and shape the organization to fit this model. To succeed, they must pass on this enthusiasm to their employees.

"We are struck by the explicit attention they pay to values, and by how their leaders have created exciting environments through personal attention, persistence and direct intervention... Hewlett-Packard managers are evaluated in terms of their ability to create enthusiasm."

A service obsession

Dinah Nemeroff of Citibank believes in the practice of "service statesmanship" by senior executives. Managers set an example of personal accountability for what the company produces and motivate "down-the-line" employees to share in this responsibility. Performance measurement and reward systems show subordinates that their contributions are crucial to the company's success.

"As we have found over and over, it starts with senior management. Nemeroff neatly calls it 'service statesmanship.' Senior executives exercise that statesmanship through personal example... Service excellence was viewed as the prime objective... A strong sense of personal accountability among down-the-line employees is crucial. And one knows that has been accomplished when someone in the field says, as did one of Nemeroff's respondents, 'Each one of us is the company.' Inseparable from the way these service-oriented companies manage their people is the intensity of measurement and feedback systems. Perhaps her most significant finding in this regard was that new rewards and incentive programs are in continuous preparation."

Omnipresent theme: Respect your workers

A pervasive theme in this book is that workers should be recognized as a company's number one asset. Individuals get the chance to be better than average because managers "accentuate the positive" qualities in each of their employees.

"We are not talking about molly-coddling. We are talking about tough-minded respect for the individual and the willingness to train him, to set reasonable and clear expectations for him, and to grant him practical autonomy to step out and contribute directly to his job... The excellent companies are measurement-happy and performance-oriented, but this toughness is born of mutually high expectations and peer review rather than emanating from table-pounding managers... What's more, if it's your peers that have those high expectations of you, then there's all the more incentive to perform well. People like to compare themselves to others, and they also like to perform against standards—if the standard is achievable, and especially if it is one they played a role in setting."

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day operation of government.

The Civil Service Reform Act of 1978 (CSRA) laid the groundwork for such a change by taking the first steps toward incorporating risks and rewards into government personnel policies.

Merit pay is one example, as is the Senior Executive Service, which provides management flexibility in matching executives to jobs.

Our challenge now is to bring performance management to the rest of the federal work force with the same success we've witnessed at higher management levels. Weighing performance as a stronger factor in reduction-in-force (RIF) situations and improving position classification management are two areas readily adaptable to the Peters and Waterman philosophy.

Rewarding good performers through the pay system is also a key to furthering one of our most important management improvements of the past 25 years. Good workers deserve good pay and an effective compensation system must provide incentives for performance, as well as rewards for that performance.

As we move forward implementing the principles of the CSRA throughout the work force, and create a smoother, more efficient civil service system, we look for direction with a new, do it—try it—fix it philosophy. Peters and Waterman, with their message of risks and rewards, provide that direction. I hope you find their ideas helpful. ■

Dr. Milton Friedman

Sticking Price Tags on Job Performances in Government

Q & A's With Dr. Milton Friedman

"There has been a major change in the attitude of the public-at-large about what they want from their government employees . . . the same kind of a switch that occurred in the 1930's, but in the opposite direction."

For over two decades, Dr. Milton Friedman's name has been associated with some of the most dramatic and innovative proposals to emerge in the public policy arena.

In the following interview, this Nobel prize-winning economist once again displays his remarkable talent for providing unexpected, thought-provoking answers to the toughest questions facing government managers today.

This interview was conducted by the Office of Personnel Management's General Counsel, Joseph Morris, and Management magazine editor David Turner.

Another View, a new Management *feature, is a forum for controversial opinions about civil service not necessarily held by the Office of Personnel Management. Next issue will feature Charles Peters, editor of* The Washington Monthly.

Management. When you were a federal employee working as a speechwriter for Franklin Delano Roosevelt's finance secretary, what kinds of performance incentives motivated you; what tactics did you use with your subordinates and peers which encouraged them to strive toward that Administration's goals?

Friedman. Well, first of all, that was a wartime Presidency—a very different situation than a peacetime work environment. I was in the Treasury Department as an economist, and had no interest in being a permanent civil servant. There was an emergency, and my incentive was to expedite professional goals.

Today, a great many people in the government share that motive; they want to be productive and accountable for their actions.

For example, there's your own boss, Don Devine. I'm sure he is holding his job because he has very sincere beliefs on the importance of trying to render government more responsive to the public will—enabling the taxpayer to get more for his or her money. Many share this type of sincere commitment to their own professional missions.

However, what is efficient and what is good performance from the "career" official's point of view is not necessarily good performance from the public's point of view.

Toward an accountable bureaucracy

When my friends claim they want efficiency from the government's civil servants, I ask them whether they really want the IRS to be extremely efficient.

Management. Are you referring to your notable statement that citizens and taxpayers should be grateful they don't get all the government they pay for?

Friedman. I think Will Rogers made that statement first. But I agree with it.

Management. Do you have some general thoughts government managers can begin using to improve our civil service procedures and provide Americans with precisely the amount and quality of service they desire?

Friedman. Well, I'm afraid my idea is one that has no chance of passing Congress, and will be utterly unacceptable to your readers. I would abolish civil service.

Management. This summer, Washington was confronted with a "Manifesto" from liberal thinkers which recommended upping the number of political appointees in government—to approximately 50 percent of the work force.

Are you, speaking from the conservative turret of Hoover Institute, recommending a similar step? What do you call the system you'd use to replace civil service?

Friedman. The spoils system.

Management. What possible virtues are offered by a spoils system?

Friedman. The virtue of the spoils system is that it provides a bottom line for the public servant. It offers an incentive to trim his or her activities and efficiently achieve only those goals acceptable to the citizen. If the worker fails, or overshoots, he might face employment hassles in the wake of the next election.

The civil service system has no effective bottom line. Your readers know the turnover rate in civil service is extremely low—much lower than it is in any other activity.

In many federal offices there is no effective criterion for judging employee performance. There is in some cases. But even where there are criteria, there are no effective incentives for people to enforce the criteria.

I'm not blaming the government manager. People are human and we are trying to behave in accordance with our interests as we see them. In fact, if government managers were given evident, bottom-line goals, along with some real-world management tools to use with their staffs (tools sadly lacking in today's Washington), we might witness a surprising drive toward a leaner, efficient workforce waged by the leaders of that workforce themselves.

Management. What about the graft and waste that originally prompted our nation to enact the civil service reforms 100 years ago?

Friedman. Now along the way, no doubt, there will be a good deal of inefficiency, there will be a good deal of graft. But there is a good deal of inefficiency now. And on the whole, I believe a spoils system would do a far better job making government responsive than does civil service.

"The continuity you're defending works to prevent that long-range change in public opinion from becoming effective."

Management. So, you are no longer arguing that inefficiency is a "virtue" in governmental affairs?

Friedman. That depends on your objective. Inefficiency is not a virtue. But you cannot define efficiency except in terms of output. Efficiency is defined as useful output over total output.

In the same way, in order to define what is useful output in a typical Washington office, you need some criterion by which to judge usefulness. If, therefore, you show me an organization dedicated to doing what I regard as a wrong thing, the more efficient it is by its standards, the more inefficient it is by mine.

Management. Please define your terms. What do you mean by a spoils system?

Friedman. When a new President comes in, he has something like 3,000 positions he can fill. He should have the opportunity to fill an overwhelming bulk of all positions. That doesn't mean he would, in fact, do so.

There's nothing preventing him from keeping the same people in those jobs. Before civil service arrived on the federal scene, and in New York's Tammany Hall, or with Mayor Daley's performance more recently in Chicago, over 90 percent of the managers were kept on. Spoils isn't a situation where everybody gets fired and a whole, new group appears.

The crucial point is that the persons who are elected are perceived by their staffs as being able to replace any employees whom they need to replace. "Accountability" would roar through Washington, right down to the GS-1 level.

The bureaucracy, especially in our capitol, has become a very strong, independent pressure group. A President has much less power than people attribute to him. He has to work through the bureaucracy.

The bureaucracy has all the details, knows where all the bodies are buried, and what levers to pull.

He must deal with the iron triangle, as it is called—comprised of his Executive Office, the bureaucracy and the legislative branch. Most of the top people in the agencies were there before this President arrived. They will be there after this President is out.They will outlast him.

May I cite an example mentioned by William Safire? The incident involves no ideological issues, no political interests. It occurred during the early years of the Nixon Administration—before "the fall."

On his first inaugural day, while driving down Constitution Avenue and seeing the temporary buildings on the Mall which had been erected during World War I, and in which he, Mr. Nixon, had served for a time in World War II, he said, "We are going to get rid of those temporary buildings."

The fight took over two years. It was a straight-forward question of being able to carry out an administrative decision which had really been made some 40 years before, but never carried out because the bureaucracy want to do so.

Management. Are th
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Power to the manager

Friedman. As things stand, even your managers willing to acquiesce and make their offices more accountable to the public's demand for less costly government find themselves lacking any of the management tools needed to put pressure on their various operations.

I suppose that middle ground reforms such as granting or withholding pay increases would constitute a step toward eliminating jobs based on the same criteria. At the very least, these career managers have a rare opportunity with the current Administration to regain some of the vital management tools which have been lost in the zeal of egalitarian labor "reforms" of the past.

Whether merit pay policies constitute a step in the right direction depends on the possibility of specifying appropriate criteria for performance appraisals. Sometimes it is possible.

With clerical personnel in the Social Security system, for example, you could specify performance appraisals in terms of the number of documents handled per day. At the other end of the spectrum are cases where there are no clear-cut criteria by which to measure performance.

Market features for managers

I understand your readers' position. I think each federal manager faces a very, very difficult job. And the problem is broad—it weighs on the entire society. How can we monitor performance?

Nobody has ever discovered an effective way of monitoring performance, except through some kind of a market test.

Of course, government managers aren't completely alone. The same problem exists in large, private bureaucracies—companies like AT&T, General Motors, or General Electric. Down the line, they encounter a similar difficulty.

Suppose the shareholders of one of these firms (like the voters in the case of federal agencies) decide they want a less expansive company, and in a fit of generosity, the shareholders give their hired managers an opportunity to make these reductions. Will these managers inflict gladly such self-imposed wounds?

The likelihood of such cooperation occurring is greater in the private sector. For one thing, the corporation has a great advantage over the government. In each separate division, the company executive can approximate a market criterion of performance in terms of money made or money lost. That gives him a bottom line and permits monitoring to be performed in a semi-automatic manner. The question is, what can a government manager substitute for that kind of bottom line?

"I understand your readers' position. I think each federal manager faces a very, very difficult job. And the problem is broad—it weighs on the entire society. How can we monitor performance?"

One thing that can be done, of course, is to privatize the activities of the federal government. The Postal Service, for example, discovered an effective bottom line in the case of parcel post when United Parcel Service began competing alongside the government.

Later, the entire nation watched as the new, private, special-delivery services—Emory Express and the like—forced the Postal Service to introduce its own version of express mail.

Privatizing government services

Unquestionably, the most effective way to introduce a market criterion of performance either would be to privatize the activity, or to permit private competition with the activity.

There are moves, I notice, to sell Conrail; there are moves to sell some of the satellites. Every effort to divest—getting activities out of government and into private hands—should be applauded.

Management. How would you stimulate such applause among federal workers? How would you involve them in your recommended move toward privatization?

Friedman. The fundamental incentive of the civil servant is in the opposite direction—to expand his scope, to remove himself from competition.

And again, this is not a criticism of individuals. The same individual in a private, competitive environment with a very strong bottom line, will be highly efficient, highly competitive. Under different constraints—as in government—where his interests will be advanced best by having a large staff perform the same function, he will move in that direction. Now, your question is the right question. What incentives would I set up? How do we motivate employees to favor "kidnapping" their function away from government? In special cases we might propose that the civil service workers themselves become the managers, the owner and directors of the privatized entity. But, those will be very few and far between.

Marketize government salaries

Management. What about steps which simply fine tune the existing civil service? For example, what about achieving a level of pay-and-benefits comparability between the government and the private sector?

What about handling worker layoffs on the basis of performance rather than seniority? Would these less drastic steps accustom public service employees to private sector employment? Wouldn't you want to ease the dread of those workers whom you are moving toward privatized career arrangements?

Friedman. I would think that governmental employees aren't really afraid of working in the private sector.

When they have better opportunities in business, they take them.

The fundamental thing to do along these lines is a very different one—stop overpaying the civil servant. Base your pay scales on the number of applicants per type of job.

(Continued on page 32)

Film Urges Managers to Express Confidence

The Pygmalion Effect. (CRM McGraw-Hill, 28 minutes) When Henry Higgins, the fancy linguist in the 1934 film, *Pygmalion*, exerted his professional skills on a surly, English flower vendor, he did not merely produce a super plant salesperson, his training created a fine British lady.

Modern day managers struggling to polish up performances of underachievers on their own staffs would be thrilled to achieve half of Professor Higgins' legendary handiwork. What is the secret of *Pygmalion?*

In its film, *Productivity and the Self-Fulfilling Prophesy, the Pygmalion Effect*, CRM McGraw-Hill Films claims to have captured a true story about just such a transformation. The screenwriters sensitively relay how James Sweeney, Director of Tulane University Biomedical Computer Center, changed the career of a poorly educated janitor.

Too often, results from many of today's so-called "touchy-feely" management theories don't transform the workers, they simply show managers how to smilingly accept mediocre performances. Of course, rumors of poor performers blossoming into super achievers seem to dangle trantilizingly on almost every office grapevine. Like waxen fruit, however, such tales sometimes prove indigestible upon closer inspection. George Bernard Shaw's tale (also staged as a musicial, *My Fair Lady*) was, after all, fiction.

In McGraw-Hill's training film, employee George Johnson is encouraged by supervisor Sweeney to become a computer operator. During his transformation, the two encounter bureaucratic red tape and personnel rulings which would prohibit such training because of Johnson's supposed lack of intelligence. In this story, however, the manager expresses so much confidence in his own position and authority that Johnson is motivated to continue his schooling.

Doolittle or do a lot

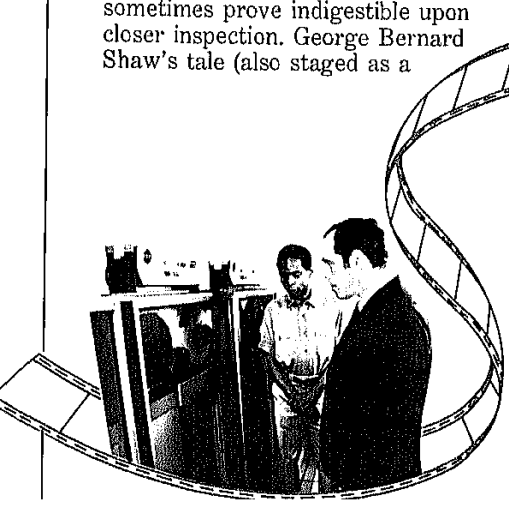
McGraw-Hill dramatizes a connection between their training film and Hollywood's glamorous treatment of the same topic. The film's director splices in footage from the 1934 classic, *Pygmalion.*

"The difference between a lady and a flower girl," explains Eliza Doolittle in one flashback, "is not how she behaves, but how she is treated."

Considerably less Oscar-worthy are portrayals of Sweeney and Johnson which also are enacted to help spice up a series of running lectures by notable management experts.

The film heavily promotes the "expectation" management theory as espoused by Robert Merton, a professor of sociology at Columbia University. Other experts appearing in the movie include the noted J. Sterling Livingston (formerly with Harvard's Business School), the late Rensis Likert (1981), who is best known for establishing the University of Michigan's Institute for Social Research, and Harvard psychology guru, Robert Rosenthal, who coined the term "Pygmalion effect."

In short, Merton contends miracles in performance manage-



prophesy" theory—expecting an event can make it happen—is not new to private sector managers.

Merton's message is just now gaining disciples in government. Of course, federal officials have been aware of these gentlemen and their work for years. But reining in authority and channeling it into a "positive pygmalion" formula has not been as pressing an issue in federal personnel relations as it has in the business world.

Near the film's end, the entire cast drifts through truisms like, "When everything's going well, nobody notices. Managers who adopt this style," the narrator warns, "focus only on employees not progressing as expected." In short, don't be a heavy. Is McGraw-Hill merely urging skin-deep, "smile-more" changes by managers?

Actually, they're not; but the drawn-out lectures on "listening, listening, listening..." threaten to wipe out deeper messages aimed at reinforcing a new manager's confidence.

Until recently, many government supervisors could not act as Henry Higgins. With more performance management tools available today, and more arriving in the near future, *Pygmalion Effect* bears a timely message for government managers. ■

Managing Entire Agencies for Better Performance

The OMB View

A Visit with Joe Wright

By Mark Tapscott and Lee Treese

According to Joe Wright, Deputy Director of the Office of Management and Budget, there's a political wildcard floating around government offices which makes the jobs of federal managers more complex than those of officials in the private sector.

"In government," says Wright, "you can be doing a wonderful job managing your agency and be misquoted and cause a political turmoil." Beyond the political minefield, however, what other factors complicate the workday of the government manager? Wright says there is one huge disadvantage faced by public service managers. "We just don't have the incentive system working."

Wright ought to know about the risks and rewards associated with political decisionmaking in Washington—he is, what observers call, a consummate insider. Wright has held senior executive management positions in the Nixon, Ford and Reagan Administrations, and from 1971-76, he was president of Retail Services, Inc. for Citicorp, the largest bank holding company in the world.

"I think you have to make some fundamental changes in the civil service system," says Wright. "While I believe the SES program (created as a result of the Civil Service Reform Act of 1978) was a good one, I am not so sure the 1978 incentives are strong enough. I see this from the individual manager's point of view.

"For the most part, you just can't make too many waves and still hope to get promoted up through the system. Now, that doesn't happen in private corporations. In Washington, there is a great tendency to 'grow' your budget and to 'grow' the number of people reporting to you because, in part, that is the traditional way you get promoted. It does not work that way in the private sector."

We need 'change agents'

When asked how long before we will have a system in place which will be able to measure performance against levels of taxpayer spending directed to a particular program, Wright responds, "It will take years. Historically, managers have been neither rewarded nor held accountable for making actual management/administrative cost savings decisions which would then be directly linked to the overall agency budget. Federal managers don't like doing a bad job, they really don't. And I don't see any resistance by them to carrying out cost-cutting efforts. But management must provide a special kind of person within each organization—a change agent.

"The next step will be to have change agents in each department. These catalysts will not be geared toward just keeping things the way they are. They are going to be getting their promotions, they are going to be getting their bonuses according to how well they improve operations. This is just one part of the Administration's continuing upgrading effort called, *The President's Management Improvement Initiative: Reform '88*. Included in these initiatives are: The highly successful Inspectors General program to eliminate the causes of waste and fraud in government operations and stop mismanagement of federal monies and systems; the reduction of unnecessary regulations and costly paperwork requirements on the public; and massive upgrading and modernization of the numerous computer systems used throughout the government to manage its financial, accounting and auditing operations.

What milestones does Wright anticipate for the near future? "Once I see career people going into these offices and taking up responsibilities, once I see the reports come in from the Financial Integrity Act this December, then I will feel comfortable that things can be done. All it needs is a start."(Ed. Note: *The Federal Manager's Financial Intergrity Act of 1982* requires department and agency heads to report to the President and Congress on efforts to prevent fraud and mismanagement.)

Measuring Waves

"For the most part, when OMB measures performance of a particular agency program up against their budgets, we include the receipts from Treasury and outlays approved by OMB for spending by that agency. Those are real dollars

in there. Less easily assessed is the real-world service being provided for those taxpayer dollars.

One of the reasons that measurement is so difficult is that you don't have compatible accounting systems at work. Most agencies and departments use differing accounting systems. When the Grace Commission came in, for example, and asked us for certain information, we didn't have it. They became irritated because they were really not asking for complicated data. They were simply asking questions like, 'Can you tell us the capital investment that is on your books for certain types of activities?'

"Well, no, we can't. Our payroll tapes cover only the most general personnel information. Another Grace Commission question asked whether or not there are 325 primary financial systems, or 70, or 75. Frankly, I found the implications of that question staggering. Why are there that many? But one look at how Treasury pays their bills, and you see they have 1,200 transaction tapes coming into accounting. They literally were coming in as a lot of adding machine paper and vouchers, with very little breakdown as to lateness, interest owed, or even what account they were related to. I see no reason for that.

"All OMB wants is for agencies to have the capability to budget in the right way; to have an answer when a manager asks, what performance did I get for a thousand dollars?

Management asked Wright to discuss some examples of changes he has initiated both at the very top, and for use by officials who oversee agency-wide changes.

At the White House

"At the very top, we instituted an electronic data link system for conducting business between the White House and the Cabinet Departments. That was easy.

"You should have seen the way they used to transmit information used in Cabinet meetings. It was amazing. Every time you had to appear at the Cabinet Council meeting, you would have 14 or 15 cars—with drivers—coming in through the Southwest gate, picking up pieces of paper containing changes and dropping them off, going out through the Northwest gate, and going back to all their agencies. Then a position paper would come in, and 14 more drivers would come in the southwest gate to drop everything off, runners would go back-and-forth between this building and that building and back out through the northwest gate. That would happen four or five times in preparation for one Cabinet Council meeting."

Wright's OMB perspective is at its sharpest when discussing the need to improve and coordinate the wide variety of accounting networks and computer-support systems used by different agencies.

He says he will not recommend putting all computer procurements "on hold" until a perfect system can be devised. This refusal is based, he claims, on a real-world assessment of the appropriations process and how it works.

"There is a tendency to 'grow' the number of people reporting to you because, in part, that is the traditional way you get promoted."

"I think we are doing pretty well on sophisticated military research applications, but in the civil administrative area I have not seen one single department, nor have I heard of any, whose administrative systems work well. You don't have a single automated credit or collections system in the entire federal government."

Wright does not believe that instituting compatible procedures would actually create another layer of red tape. "We are not looking to put in new systems, we seek to put in replacement systems. Now you will have a period of time in which you are parallel—you burn-in the new system while you leave the old one back there. That's what we'll be doing now. This is one place where OMB really can help many of your readers. In the budget process, OMB is going to examine seriously justifications for maintaining old systems." ■

Paid Performance and Organizational Vitality

(Abbreviated version of "Judgmental Merit Reward Systems and Job Performances: Theories, Facts and Practice," presented at OPM conference, Harpers Ferry, W. Va., 1983)

By Richard E. Kopelman

The 1961 award-winning Broadway play, *How to Succeed in Business Without Really Trying* caricatured three, well known management reward systems used in corporations. Coincidentally, in 1961, former Health, Education and Welfare Secretary John Gardner wrote a book describing the same three reward philosophies.

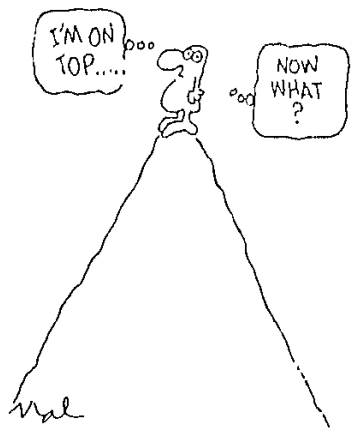
The three reward systems outlined by Gardner and parodied on Broadway were nepotism (who you know, not what you know), egalitarianism (everyone gets the same), and competition (let the best person win).

Common sense look at rewards

Decades of experience have taught us a great deal about these techniques. For example, we recognize that rewarding people through nepotism/favoritism yields a high level of "office politics." When the path to success is based on personal liking and connections, organizational life will be marked by alliances, coalitions, powerplays, intrigues, deceptions and the like.

Futhermore, if only a few demands are placed on a work unit, or there is little threat from outside competition (as is normally the case in federal offices) the role of such politics in allocating resources is strengthened. One positive benefit associated with the nepotism/favoritism approach is that it transforms a dull working environment into a dynamic political arena. But such "benefits" carry numerous drawbacks as well.

With the across-the-board approach, rewards are based largely on time-in-rank. Of course, individuals cannot accelerate time.



But, we've learned that in settings where employees are paid on an hourly basis, rewards can be influenced to some extent. By working less industriously, employees may be able to earn overtime pay. The moral—if you hire someone to paint your house, pay for the job, not by the hour.

Finally, when individuals are rewarded on the basis of performance, people can be expected to find ways to improve their performance as measured. Of course, if the performance indicator is deficient (ignoring key duties), or excessive (examining irrelevant activities) the results may be worthless, even harmful.

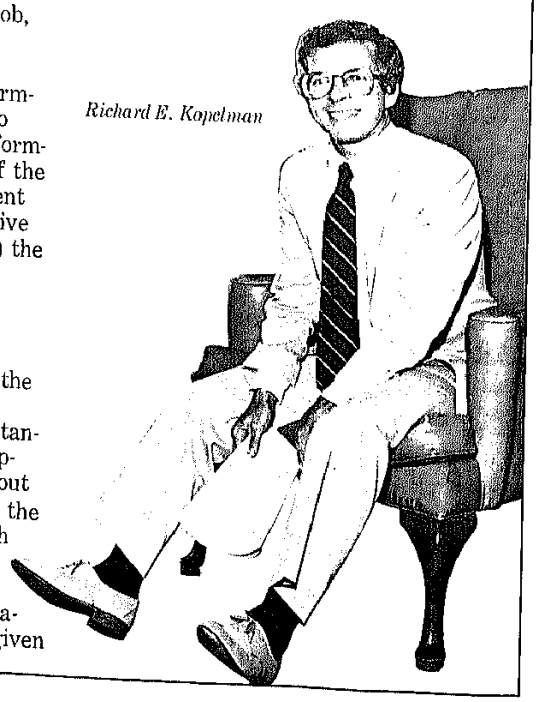
"Expectancy theory"

Over the past 20 years, one of the most popular theories of work motivation has been the "expectancy" theory. According to this approach, people make choices about expending their effort based on the expected payoffs associated with different alternatives.

Similarly, the more highly a person values the various anticipated rewards (associated with a given level of effort), and the more undesirable the penalties which may be avoided, the greater the person's motivation. Notice that highly valued rewards will not produce high motivation if employees see no chance of obtaining them; nor will a high expectancy of obtaining rewards (or avoiding punishment) produce high motivation if the incentives are viewed as trivial.

Implications for managers

Three practical implications warrant discussion. First, the stronger the performance-reward relationship, the higher the average organization-wide level of work motivation. Of course, individuals with a high need to achieve will work hard despite the absence of reward and recognition. However, only a small minority of people—roughly 10-15



Richard E. Kopelman

percent—have a high need to achieve.

Second, the stronger the performance-reward relationship, the more likely it is that turnover will center among poor performers.

Hence, the important issue is not how satisfied are employees, rather who are the satisfied employees.

Third, even though rewards influence satisfaction, it is the reward system which affects job performance. Satisfied workers will "hang around" and smile a lot, but the happy worker will be the productive worker only if performance is a precondition for happiness—again, if rewards are based on performance.

In brief, expectancy theory suggests the across-the-board approach to reward distribution is a recipe for organizational decline and degradation. It virtually ensures low motivation and prompts turnover among the most competent employees.

Evidence

Evidence from more than 4,700 separate cases indicates output-based pay plans raise production by approximately 30 percent compared to time-based pay.

Ironically, although most empirical research to date has focused on output-based pay plans, the majority of workers today don't produce "countable" outputs.

Indeed, the "knowledge" sector of the U.S. economy—jobs that produce and distribute information and ideas—accounts for roughly half of the gross national product. Clearly, for these jobs it is difficult, if not impossible, to measure performance in terms of units produced. Yet, available evidence indicates judgment-based reward plans raise performance, as do output-based plans.

Toward practical application

In order to use pay—or any other incentive—to motivate improved performance, it is essential that substantial differences exist in the range of benefits actually provided. If, for example, the top performers receive a 7 percent salary increase, average performers a 6 percent increase, and low performers a 5 percent increase, the correlation between performance and pay increase will be high—but the range of rewards will likely prove too small to affect motivation.

Using pay to motivate improved performance is not a "piker's game." To be sure, employees are rather adept at sizing up the tradeoffs associated with performance alternatives. Not surprisingly, *Business Week* surveys report that companies are expanding the range of pay raises they offer, and increasing the variability in the timing of these increases. Illustrative of these trends are the following pay-increase ranges: Digital Equipment, 0 to 30 percent; Xerox Corporation, 0 to 13 percent; and Westinghouse Electric, 0 to 19 percent.

Relatedly, many companies now use annual performance bonuses in place of the customary annual salary increase—which over time resembles an anuity. "What have you done for me lately?" has become the issue, instead of basing salaries on "faded press clippings" of achievements dating back over many years or decades.

With the conventional step-grade approach, salary-increase differences tend, over time, to become minimal, particularly when people reach the top steps.

Poor performers should be notified about deficiencies and provided coaching or additional job training if needed; poor performers should also be denied pay increases until performance is satisfactory. In the event of continuing poor performance, consideration should be given to job reassignment or termination. Unfortunately, many managers find it difficult to uphold performance standards due to three disabling emotions: guilt, pity and fear (intimidation).

Valid appraisals. It is essential job analysis be conducted, and performance measures reflect all the important responsibilities and behaviors. If, however, managerial performance is defined in terms of having a tidy desk, and managers are rewarded based on "performance," desk-cleaning behavior will accelerate while other more relevant activities will occur less often.

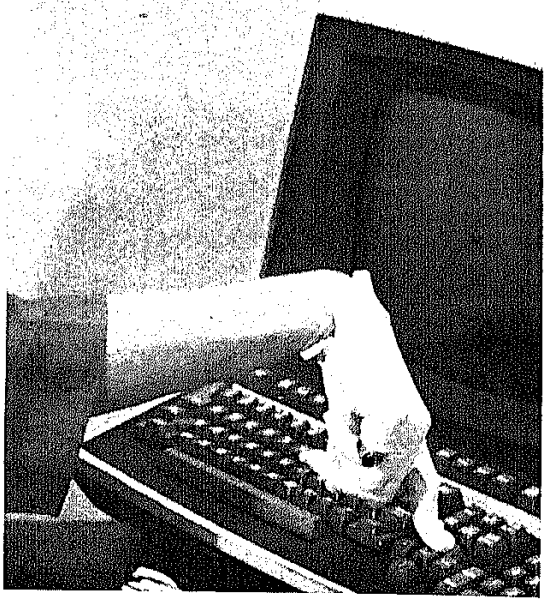
Inflation threatens accuracy. One problem that pervades the rating process is evaluation inflation.

Unfortunately, jawboning appeals to raters to avoid inflation generally prove ineffectual. A far more effective and efficient way to change human behavior is to alter the underlying system.

One way to remedy the problem of rating inflation systematically is to convert ratings to rankings. Accordingly, half of all employees will be above average, and half below. This point apparently escaped one dean of academic studies who called on the faculty to get more students into the top half of the class.

While rankings should not be used to provide employees feedback about their job performance, there is much to commend them when deciding on raises, promotions and layoffs. Even in military organizations, where it is customary for virtually everyone to receive a perfect rating score, it is probable that performance differences do exist—and these differences can be identified by converting ratings to rankings.

Ms. Management



Dear Ms. Management,
I get extremely agitated whenever performance appraisal time rolls around for one of my employees. I try to get it over with as quickly as possible. I'd prefer to fill out the forms, have the employee sign them and get back to my real job of managing. How can I avoid such agitation?

Mystified Manager

Dear Misty-eyed,
You are fortunate that Ms. Management is not your supervisor for you would surely scream at your own performance appraisal interview when told, "Sorry, Charlie, your work just doesn't pass muster." No doubt you'd respond with something like, "What muster?"

Did you forget your job is to manage and, by definition, performance appraisals are a tool for doing so? Your work doesn't cut the mustard because you aren't accomplishing your objectives using the resources and tools with which you've been provided. Ms. Management ventures your employees are more agitated than you, since you don't seem to provide them any idea of their strengths, areas in which they could improve, or their potential in helping meet organizational goals.

Dear Ms. Management,
I know your column is for upper-class supervisor types, but I've got a gripe. My boss has no more right to tell me that I'm doing my job poorly than does the man in the moon. He and the "political appointee" gal above him were in high school when I earned my GS-11 here in this shop. If they don't get off my back, I can make it plenty rough for them, too. They've got no right to threaten me like this—I should be the only judge of my performance.

Performance for the People

Dear Perforated,
Please subside, you're rattling Ms. Management's teacup. We've all encountered apparent unfair rulings at the hands of our superiors. As a schoolgirl, for example, Ms. Management suffered one such setback regarding proper jumping-jack form. My determination was overwhelmed brutally by a Hun warrioress cleverly disguised as a phys-ed coach.

That little drama, of course, involved nothing so vital as one's paycheck. Now, allow me to clear the air. There is no such thing as your right to a GS-11. Having earned a particular federal job at some point in the past, does not mean Uncle Sam awarded you a permanent career which will extend until you choose to resign, or have managed to survive into your golden years.

This critical perspective seems to escape your presentation of a proper performance appraisal process.

In fact, your supervisor is required to do exactly that which you seem to believe your senior status ought to prevent him or her from accomplishing.

May I suggest coating your argument with the sweet honey of reason? Assure your manager that you fully share his determination to strengthen your job performance. Refer him to George Morrissey's suggestions (Book Reviews, this issue), which describe how employees and managers can design great performance standards which also provide workers with incentives to achieve. Whatever your supervisor's decision, examine your own attitude—it could be a final nail in your career's coffin or the building block of your own future success and that of your agency.

Dear Ms. Management,
Where can I find a standard "standard" so to speak? I mean, can you give me some standard performance standards to use for the people in my work group? I would appreciate it. Thanking you in advance, I am a

Most Grateful Manager

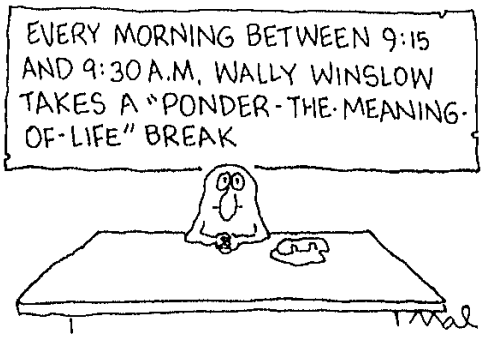
Dear Most Grating,
Let's go backwards, shall we?

Lastly, thanking someone in advance for something about which you have no certainty of their ability or willingness to respond positively is extremely, well, tacky. Please refrain from doing so in the future, as it indicates to the requestee that no forthcoming acknowledgements are thought to be required.

Secondly, no.

First, you may find your question embarrassing upon closer examination. It would surely be a silly game for Ms. Management to hide some non-descript performance standards so you could guess under which rock they may be found.

For general management or various other positions, there are "model" standards available; however, these are to be used solely as guidelines. For specific positions, standards are to he a joint communication exchange between the supervisor and the employee. No standard—model, standard, or any other size—will accomplish any purpose if the employee can't meet it. To meet the standard, an employee has to know what is expected and be capable, willing and able to meet it. Stop looking for a panacea.



Dear Ms. Management,
I'm the boss in a small program office of 20 employees and work well over 12 hours a day, every day. More often than not, I am the only person physically here after 7:00 in the evening. I am a good role model for my division heads, but somehow the message is not getting across to them. How can I convince them to show more dedication?

Tired, But True

Dear True Blue,
Ms. Management wonders if you really want suggestions or merely a medal? No wonder you are tired. I am not sure whether it is more rude to ask you if you have ever heard of delegation or whether to question your ability to get your work done in a normal amount of time. Let us assume the 20 employees in your office are also being paid to accomplish something, in which case, it would be likewise safe to presume at least a good portion of them would like to be involved in the program's mission. Why be reluctant to share the wealth of work? Examine your motives Mr. Tired. Since you don't complain about employee incompetence or unwillingness, it seems reasonable to believe they spend their time in the office working. Being in the office and working are not synonymous.

Dear Ms. Management,
Without fail, several employees approach me regularly requesting training. I have denied these requests. Instead of dropping the issue they have the audacity to ask me for reasons. I have told them over and over again that we have work to do and we are here for that sole purpose—to work. Why can't they get that into their heads?

Man Trained at Work

Dear Derailed
Ms. Management's initial, and rather strong, reaction to your stated question is, "Get the following into your head." One of the key duties you have as a manager is to help your employees improve current job performance. This is commonly referred to as "improving productivity." Perhaps you are familiar with the term; certainly not the concept.

Employee development, especially through activities such as training, has a potential payoff in improved productivity. Ms. Management requests you remove your blinders and recognize that training, especially when requests are initiated by the employee and relate to the job, can provide a major return for your investment. Review your portfolio; invest in your major resource.

Dear Ms. Management,
I'm one woman who really doesn't think performance standards can accurately reflect the type of unpredictable work I do. Jobs change continuously and standards are too often restrictive. Do you actually believe a performance standard can exactly measure what a person does? Come on, admit that this exercise is another bureaucratic paper push.

Push Enough Papers

Dear Paperweight,
Are you the right weight for your height? In other words, is not your current weight, when compared with your height, a standard for determining whether you should eat more tasty carbos or cut down on the empty calories in your evening martini? Do you find this weight and height st
not exact, an acceptable measurement

Performance standards are also a g
to be used to determine whether an employee has performed effectively in achieving set objectives.

The excuses you give demonstrate either insufficient knowledge on your part in using performance standards properly, in which case you are advised to get some training, or a general resistance to change, in which case it is time for you to accept the facts, Jack.....er, I mean, Ms. Push.

The facts are that performance standards are the law and you need to become well-versed in learning how to use them in helping you meet organizational goals; developing, promoting or downgrading employees; delegating work assignments; and ultimately, getting results. As one of Ms. Management's favorite fellow columnists so deftly says, "Wake up and smell the coffee." ■

Ms. Management prepared by Annette Gaul

Play It Again, Sam... And Again... And...

By Lynn Alfalla

A Brief History of Performance Incentives

This year, the U.S. Office of Personnel Management unveiled a package of "new" management tools. These "centennial" reforms, which are to be made available to office managers throughout the federal government, are the centerpiece of the agency's Centennial Anniversary of the U.S. Civil Service. Many of the changes guarantee positive rewards for all federal white collar employees doing good work.

Most Washington observers claim that very often a new reform is not entirely new. Rather, the most healthy innovations incorporate good ideas from earlier reform movements. Such is the case with the centennial package. The rationale underlying the merit reforms has not emerged overnight.

This report will examine and compare portions of the two Hoover commissions, the 1975 Rockefeller Report on Federal Compensation, President Nixon's pay review board and the 1975 Government Accounting Office (GAO) Report on Civil Service Pay Practices. These efforts were initiated to study the problem of government organization and management. In fact, many reforms in the area of civil service during the past thirty years had their basis in the work of the first and second Hoover commissions. For example, the idea for a Senior Executive Service, which finally blossomed in 1978, was planted by the second Hoover commission.

News commentary at the time reported these commissions were spawned by concern over the sheer size of the federal government and what widely was perceived as extravagance and waste of the taxpayer's money. The official reason for creation of the task forces focused on inefficiency and duplication in many operations. In their respective preambles, the Hoover commissions dwelled at length on "the inefficiency question."

Officially titled the *Commission on Organization of the Executive Branch of the Government*, the first Hoover group functioned from 1947-49, and the second from 1953-55. Both received wide media coverage and were pronounced highly successful by journalists. Scholars, however, usually reserve that title only for the first commission.

Each commission, which consisted of 12 bi-partisan members, was chaired by the late President Herbert Hoover. The first commission was comprised of such notables from both the private and public sector as Senator George Aiken (R-VT), Joseph Kennedy, Arthur Flemming and George Mead. The second commission was made up of some of the old members, plus Sidney Mitchell, Congressman Chet Holifield (D-CA), and Herbert Brownell. Here is where the similarities end. The two commissions differed widely in the scope of their mandates and, even more dramatically, they differed in their approaches to the problems of government.

The first commission's major concern was to reorganize structurally the departments and agencies and upgrade the President's managerial authorities. The second zeroed in on the scope of the role played by the executive branch.

The overly broad objectives of

the first commission were soon confined to simple inquiries into ways to be more efficient. They just hoped to make "the system" work better. Interestingly, today's merit reforms advocate much of this very basic general philosophy. This article will cover only those proposed reforms attempting to link pay directly to performance. Also covered are historic recommendations which sought to emphasize performance, instead of seniority, for reduction-in-force (RIF) purposes.

Performance evaluation

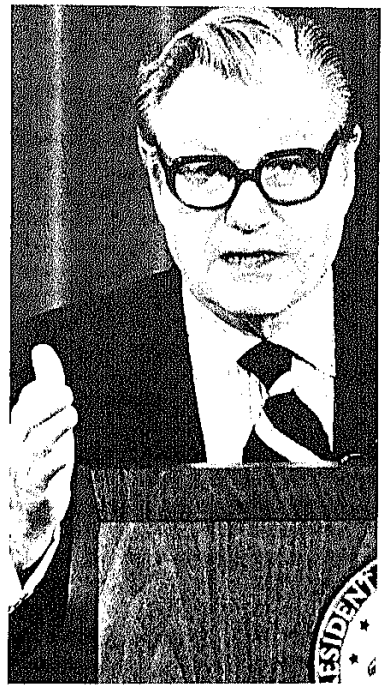
In 1947, the federal government had about 2,300,000 civilian employees. Approximately 84 percent were career civil servants. The other 16 percent was made up of special "recruitment program" employees—those exempt from the civil service. The annual payroll was more than $9 billion.

Hoover's task force on personnel and civil service stressed two ever-present problem areas—performance appraisals and standards, and comparable pay. Recommendation Number 18 stated the Civil Service Commission should have the authority to put in place a system whereby once a year, managers rate their employees, indicating who performed "above and beyond" and deserved to be meritoriously awarded. On the other hand, Hoover said managers should also determine who had performed at an unacceptable margin and dismiss them from the federal service.

With similar sentiments, the second Hoover commission felt the Performance Rating System was not an adequate means of measuring the relative merits of employees. The outstanding rating was unachievable unless you were a genius. At the time, almost everyone was in the "satisfactory" category—98 percent—and only 2 percent were unsatisfactory or outstanding. Furthermore, Hoover's finding revealed it often was easier to remove an employee for some other cause than to rate his performance "unsatisfactory" and go through the lengthy and expensive appeals process to remove an employee for poor performance. In short, the performance appraisal system had no teeth.

The second commission advocated abandoning much of the system and starting over with annual rating reports. There were to be five types of standards by which employees could be rated:

- Employees with potential for achievement and acquiring of higher responsibilities;
- Employees to be meritoriously awarded;
- Employees who need to be reassigned to other work and/or retrained for a new type of work;
- Employees not eligible for periodic pay increases (within-grade increases) because of an unsatisfactory rating; and
- Those who should be dismissed.



Rocky report

In 1975, the *President's Panel On Federal Compensation*, chaired by Vice President Nelson Rockefeller, considered changes in the area of compensation for the federal work force. One of the questions the panel explored was, "Should the present system of within-grade advancement, based primarily on longevity, be changed so that within-grade advancement is more useful as an incentive for improved individual job performance?" The federal government is undoubtedly in a unique position—seeking to motivate 2.7 million civilian employees (2.8 million in 1975) to do a good job. Rockefeller's panel solicited comments from federal employees, private industry, professional associations and the general public.

The Civil Service Commission (CSC) which was cooperating with the panel, surveyed compensation practices of some 218 major U.S. companies—including non-profit organizations and state and local governments. CSC announced parts of the federal system followed some of the practices used with private sector blue-collar workers and some white-collar clerical employees. The general practice was for managerial and administrative positions to be granted different percentages of pay increases based on their individual performance. There was not to be a group salary adjustment for managers. Comments received from the public on this topic seemed to favor emphasizing performance rather than length of service. However, early critics who objected to a performance-linked pay base cited possible abuses of the system by managers.

Nevertheless, the panel's final report recommended a "new" procedure which closely linked performance and within-grade increases. Rockefeller emphasized that the size and the frequency of an employee's within-grade advancement should be correlated with his work performance. Also in the report was a recommendation to put a new proposed group division, namely, the Professional/Administrative/Managerial/Executive Service under the new merit increase system. Another proposed group division, the Clerical/Technical Service, would continue to receive within-grade increases based on length of service and satisfactory performance.

Discussion of the program also pointed out that a merit performance change certainly required considerable care and attention to details. The old system took up little of the manager's time or thoughts. The panel's proposed plan would certainly entail much more work on the manager's part.

This point takes us back a couple of years, retracing our steps to 1972, when another meeting-of-the-minds concluded that progression through the grade levels should not

be based on longevity, but should be earned on the basis of performance.

This was the *Report of the Job Evaluation and Pay Review Task Force to the United States Civil Service Commission*, conducted by the Subcommittee on Employee Benefits of the House Committee on Post Office and Civil Service. The task force received considerable assistance from sources both within and outside of the federal government.

The five Task Force Advisory Committees (AFL-CIO, Federal Personnel Directors, Independent Unions and Associations, Industry, and Health Services) were made up of some very impressive groups: American Federation of Government Employees, American Federation of Technical Engineers, the Departments of Agriculture, State and Interior, Smithsonian Institute, National Security Agency, National Association of Government Employees, Bell Telephone Laboratories, Case Western Reserve University, General Motors, Union Carbide Corporation, American Dental Association, and Veterans Administration.

The report made one startling recommendation, both "groups" of federal employees (the administrative, professional and technological types and the clerical, office machine operators and the technicians) should be included under a merit pay structure.

In 1975, even the Government Accounting Office (GAO) jumped into the fray. GAO conducted a study titled *Federal White-Collar Pay Systems Need Fundamental Change*.

any changes, the GAO study also hinted that the credibility of the comparability system was in question. There were, said the study, too many inequities between the private and public sectors. And the inequities were not just with pay, but with the method for rewarding employees. In other words, the private sector recognized each individual for his different contribution and did not make seniority and performance synonymous.

Reductions in force (RIF)

In 1982, OPM, like many other federal agencies, underwent personnel cutbacks. Each succeeding RIF reemphasized a serious failing of the system. Because performance was a lower priority than seniority, the government often lost its most highly skilled employees, particularly among top performing women and minorities. Performance seemed slighted. Thus, we have the crux of one of the proposed centennial reforms. By seeking to emphasize an employee's work performance, instead of his years in service, OPM seeks to minimize adverse effects on certain high achievers, among them "last hired, first fired" women and minorities, who usually have fewer years in service.

Even as far back as the second Hoover commission, these study panels were recommending the RIF rules be modified to permit higher retention credit for those employees needed by managers to carry out higher responsibilities. The idea, more or less, was to simplify RIF procedures and policies.

The Civil Service Act of 1978 (CSRA), represented the most significant reform in the system since the Civil Service Act of 1883. For the first time, all managers and supervisors in the GS-13, -14 and -15 pay levels had their pay directly linked to their performance. With CSRA also came another significant feature concerning the appraisal of employees' performance of their duties. Clearly, both concepts had been "telegraphed"

In the five years since those most recent reforms, the old spirit of Hoover, Rockefeller and most other participants has remained timely. These reformers started the ball rolling in the right direction. Today, the pressure is on managers to use their resources—namely their people—to the best advantage. ■

Ike launches second Hoover commission. Pictured (l-r) Nelson Rockefeller (later to head his own federal reform panel), L. Hall, Phillip Young, Author Flemming and unidentified. President Eisenhower and former Chief Executive Herbert Hoover are flanked by Sherman Adams and Senator Homer Ferguson.

4 Views of Managing for Performance

By Joyce Cannady

Nearly two years have passed since implementation of the Civil Service Reform Act, which signaled a new, more structured and positive direction in managing the government's 2.7 million workers. Today, a wide range of government managers, including some of the federal system's most stalwart traditionalists, are exploring as far into merit reform as the law permits.

The following stories cover the unique views about merit performance held by two government managers, one leading academician, and a former civil service commissioner. We begin with Bob Nipp, Special Assistant to the Treasurer of the United States. The Treasurer's office manages three Treasury bureaus with a total staff of over 5,000 people. Nipp shares with us his deeply personal thoughts about the realities of managing for performance. Brookings Institute opinion-molder Hugh Heclo reveals his upbeat views on extending merit pay to include all workers under the general schedule. Peter Johnson, head of the Bonneville Power Administration, is a convert to the winning ways displayed by an aggressive work appraisal system. And Alan Campbell contemplates the future of merit reform.

A Risk taker Looks at Merit Performance

Several workers expressed stiff opposition to the "dead end" assignment. However, with a firm decision in hand and the six-month mini-course under their belts, most continued to pursue legal training. Two became attorneys.

"Performance appraisals are essential for shy or 'overly busy' managers," says Nipp, "and even outgoing, hands-on supervisors can learn from the process. To a certain extent, ratings are in the eye of the beholder. Personality problems, competition in the office, family problems and all sorts of other difficulties can affect performance," he says. "Rating employees in a fair manner demands that a manager know what is happening in his shop. It's up to the person in charge to find out about employees' strengths and weaknesses through inquiries with first-line supervisors. Ideally, the system should be working all the time, forcing the boss to keep an eye out for the truely outstanding achiever, and ever-present "marginally poor" performer.

"When confrontations about performance appraisals arise, however, the best thing a manager can do is to talk these things out. Like other government employers, I've had to fire hopelessly incompetent or bad-apple workers. Under the existing rules, a sorry but sadly more attractive option permits the worker to transfer into someone else's shop. However, I have discovered one pleasant surprise. Sometimes allowing a worker to take time off emerges as the solution to a seemingly insoluble problem," Nipp says.

Risk takers welcomed

Encouraging employees to speak out on their opinions and ideas is important to Nipp. As a manager, he feels that this kind of communication helps him to recognize the very talented employee versus the mediocre achiever. "I don't get upset when someone questions my directives. They are not always troublemakers. Many times, I have found that the people who are inquisitive enough to look for a better way of doing things are very bright and creative. He does admit, however, the current management rules tend to reward the "laid-back" types. "Until some major changes are made in personnel rules," he says, "a serious manager must work doubly hard to recognize and reward the really bright workers."

Nipp puts his reward pool where his standards are. There's always plenty in the kity for the "truly outstanding." Getting positive reinforcement doesn't automatically mean a "fully successful" report card. A simple "satisfactory" means a lot in Nipp's public affairs team.

According to former staffer Gene Guerny (now public affairs chief at Goddard Spaceflight Center), Nipp is "brutally fair in his evaluations. He deeply cares about individuals. His warmth pervades the appraisal atmosphere and serves as a catalyst for subsequent risk-taking by his public affairs staff."

Staff meetings were the Nipp trademark. All 200 workers were expected to broaden their understanding of energy issues and techniques. Rather than offering the same faces and the same old topics in morning sessions, Nipp frequently invited top energy managers and, occasionally, media celebrities to address staff members. "One time my good friend, Maury Povich (a television celebrity and anchorman) stopped by for one of our staff meetings," Nipp recalls. "No one was expecting him. It did wonders for the staff's morale, but some of my team's questions about media bias on energy topics may have left poor Maury a bit rattled. The staff ate it up."

The View from Brookings/Harvard

frequently blurred by other critics.

Moreover, Heclo believes that advocates of merit performance are motivated to make government workers somewhat more responsive to public demands for better performance. Yet, he will sharply disagree with the expectations which he claims are emerging alongside this new premise.

Admittedly, Heclo, currently a professor at Harvard's Government Department, is deeply partisan on the subject of public employee policies. Asked how he felt about the changing of the guard in 1980, he replies, "Like I lost a child." At the same time, observers on both sides of the political fence tell **Management** that Heclo remains an innovative contributor. Furthermore, he has a considerable investment in the nation's major existing performance initiative—Heclo is known as the "spiritual godfather" of the SES.

Heclo refuses to shut any doors when questioned about the hope for a consensus forming toward merit performance. In fact, he offers a possible framework for future discussions between thinkers on both sides of the issue.

"Let me give you an example," begins Heclo. "A guy named James Wilson and I jointly teach a public management course at Harvard. Jim's a disciple of Irving Crystol, and sort of a neoconservative. In the current environment we disagree constantly on lots of topics. But there's an evolution edging into our disagreements. Given time, we may see even more convergence in our views about future policies."

Accountable to citizens?

In the meantime, however, Heclo challenges what he views as a major premise behind merit system reforms. He says the basic concept which he still questions involves linking federal personnel policies to the goals and objectives expressed by the general public.

Must federal workers be held accountable to such goals? If so, how much accountability should be exacted? Heclo says performance becomes an issue when managers attempt to match public objectives with employee attitudes. Managers are expected to play the key role in this highly democratic model.

"I continue to believe the reform effort ought to be more than a drive toward making the system more accountable to the general public," says Heclo.

"Instead, I would seek a balance between achieving accountability—or responsiveness—and guarding institutional capacities so they can endure into the future. You very easily could design a system which would be 100 percent responsive, but which would self-destruct at the end of that period."

Rearguard action?

Is his campaign for such a "balance" merely a rearguard action, an effort to weaken reforms which spokesmen from federal management groups say are badly needed?

Heclo claims his compromise or balance plan isn't a smokescreen for anti-revisionist policy. His goal, he says, is not to blunt OPM's reform initiatives—rather, it is to redirect them.

". . . leadership must appear to be as zealous in rooting out favoritism, as it is with rooting out people who perform marginally."

"Merit pay has a place," continues Heclo, "I'm not saying that it doesn't. But if you oversell it, it becomes just one more experience the worker has with a fashion." Clearly, even this lukewarm endorsement positions Heclo and like-minded academicians at strong odds with unions and other stalwarts opposed to any changes in the government's existing personnel system.

We asked for specifics. How would he handle poor performers under his modified reform approach?

Basically, he favors a let-the-worker-decide option. "Criteria for a job performance has to have been openly arrived at. If a disagreement over performance arises, workers must have available a process they believe offers them a fair chance to have their say."

But, would harnessing the managerial system with even more "fair employee" safeguards work to handicap the government? If managers only can take those steps against a poor performer which the poor performer views as "fair," surely one emerges with supervisor's nightmare.

It is at this point, Heclo acknowledges, some merit performance improvements should be considered.

We asked if his reluctance to fully embrace merit reforms might not be based on an elusive hope for a risk-free system which would guarantee a perfectly happy work force?

Heclo says he doesn't seek perfection, but he is concerned that strict merit pay, for example, might "result in an office which has a handful of happy winners, and a bunch of soreheads. This could occur if a manager has only a limited pot of reward money to pass around."

Deal with—don't cry about—favoritism

Suddenly, Heclo produces something new. He suggests a backhand approach the Administration might use when initiating merit pay among the lower general schedule levels.

"The first step I'd take under the new merit system would be to make a few examples of people who have acted in a crony-like way—and hang 'em high. You know, like Washington did with traitors in the Revolutionary War.

"The point is, that leadership must appear to be as zealous in rooting out favoritism, as it is with rooting out people who perform

A Pioneer Looks at Merit Performance

Have merit reforms taken the path that its pioneers foresaw? During a recent interview, former Office of Personnel Management (OPM) Director Alan Campbell made some surprising projections about his own expectations toward the merit system.

As chief personnel advisor to President Carter, Campbell played a leading role in moving 1978's Civil Service Reform Act (CSRA) through Congress. This law mandated use of the broad range of performance management techniques within the SES system. He was appointed the personnel agency's first director. Since leaving the government he has continued to broaden his management experience by serving as Executive Vice President of ARA Services, Inc., a $2.9 billion food, health care, building maintenance and transportation services corporation.

In addition to observing the merit approach in the corporate world, Campbell keeps a "watchful eye" on evolution in the SES system and on the performance management reforms that are sweeping through public work places.

Old-fashioned materialism

According to Campbell, the bonus system among Senior Executive Service (SES) types has proved to be a crucial asset for motivating people. "I may be considered old-fashioned and materialistic," he states, "but material reward motivation is very important.

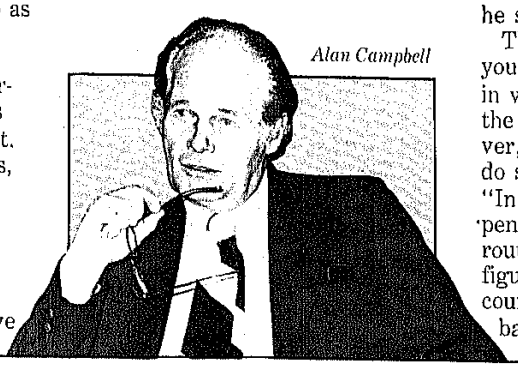
"The bonus system is widely used in the private sector. At ARA, we spend a lot of time working on the use of bonuses. Depending on an individual's rank in the system, a bonus can range up to as high as 50 to 60 percent of base pay. And that's not unusual."

Overall, Campbell says civil service reform has done "as well as can be expected" up to this point. "Properly implemented," he says, "CSRA will bring substantial changes to the system. I don't believe that has happened yet, although I do believe it will. The bonuses are there. Merit pay is there. Decisions are going to have to be made and there is going to have to be a process for making those decisions. From what I hear from old friends in the government, those things are moving ahead, but not without pain."

Campbell emphasizes that performance ratings aimed at rewarding the "very best" employees in government, place an increased demand on managers. It requires continuous surveillance of their systems. "Performance rating 'inflation' is a serious problem in all sectors of the work force," he continues, "no one has found a magic formula for dealing with that. There are companies and parts of the federal government that have tried to do it by imposing a rating curve where you are only allowed to give such-and-such a grade to such-and-such a percentage of employees. Those systems have usually been found difficult to administer, and there has been a tendency, once tried, to abandon them. There is absolutely no substitute for continuous surveillance of the system. Top management has to have a deep commitment to it. If someone does give what appears to be an undue amount of high ratings or low ratings, they must be reviewed."

Politicization is another topic which is frequently raised. Do the new merit systems leave too much room for personnel abuses by political bosses? And, a related concern, how will merit reforms affect SES mobility?

Campbell believes the principle of a mobile, elite corp of top managers is still a perfectly appropriate management strategy capable of bringing new life and energy into government agencies. As for politics affecting this elite, career corps, he has heard accusations that specific executive reassignments have been made for "political" reasons. However, he says that he does not know that the system is being abused in that particular way.



Alan Campbell

Measurement of performance is taken very seriously at ARA which uses these "report cards" when making personnel decisions. But doing this, Campbell admits, is a lot more easily said than accomplished. "The private sector has an easier job of measuring performance than either the academic community or public sector has—largely because we have one overall measurement tool, which is the bottom line of profit and loss."

Appraising work in the shadow of Prop. 13

Measuring the overall efficiency of government is another management concern that has never been easily projected. Inherent in the merit reform movement, is the desire to improve the public's perception of government by improving government responsiveness. Campbell feels that present skepticism has more to do with taxpayer disillusionment of government illustrated by Proposition 13 and Proposition 2½ which slashed funding available to public service. "There has always been and always will be skepticism in American society about government. Until there is a technique by which you can demonstrate that this year the government is 3 percent more efficient than it was last year, you will not be able to offset the bad anecdotes about mismanagement and waste," he says.

The question then becomes, "Can you develop a measurement system in which you can say this unit in the Defense Department, or wherever, really blew it and we've got to do something," wonders Campbell? "In the private sector if that happened, bankruptcy might be the route. I've always been trying to figure out some way of getting a counterpart to private seetor bankruptcy in government."

Performance Criteria as a Contract

"There is nothing worse than an ambiguous contract in the legal sense—this is no less true in employer-employee relations."

Peter Johnson

As an executive with Trus-Joist Corporation and other major private firms for 25 years, Peter Johnson, who now administers the Department of Energy's huge Bonneville Power Administration, says he often heard it said that anything government can do, business can do better. "Many corporate managers believe free enterprise somehow imbues management and workers with special motivation," says Johnson, "giving them a performance edge over public-service personnel. These skeptics like to think that persons less qualified and motivated than themselves gravitate toward government service. It's not true.

"My own experience as administrator of a federal agency with approximately 4,000 employees is that people are people, whether they work in private or public sector. Give public employees a solid list of expectations—agreements; insist on the achievement of the terms of these "contracts;" then government workers respond similarly to those in other working environments.

"While it may sound obvious and even trite, I think we tend to focus on other assets available to an institution, such as capital, materials, plant and equipment, and distribution systems. No wonder we are so fascinated today with organizational management in Japan, where workers seem to be highly motivated and productive.

"Allow me to say a little about BPA; we're very similar to a regulated utility. BPA markets a product—electricity.

Risk invades Bonneville

"Like many federal operations, we have been dealing with rapidly changing market and political conditions. Electricity has been a controversial topic over the past two years.

"Change is never comfortable for large institutions. It poses risk and it demands response, but employees of Bonneville have responded decisively.

"This did not happen by accident. Because I feel so strongly about the importance of performance planning, I will briefly discuss the BPA experience and tie it into our performance appraisal efforts.

"The process began at BPA's three-day brain-storming session during which every aspect of the agency's activity was scrutinized. Managers were encouraged to agree on a statement of mission.

"With mission statement in hand, the assistant administrator returned to the agency to continue the planning process in their own areas of responsibility. In each office, managers developed individual mission statements and strategic options for carrying out the missions. The process was repeated down to first-line supervisory levels. Objectives critical to BPA's mission were defined and assigned to persons accountable for results.

Appraisals

"Key objectives, rather than company profits, become the standards against which to appraise performance in a government office. If the goals of an organization are promoted by management and understood by employees, performance appraisal becomes a very effective means to stimulate achievement. In developing job standards for performance appraisals in the private sector, I found it helpful to recognize phases of career development.

"Because appraisals are necessarily ego-sensitive, they can be very difficult for both supervisor and employee. One may want to shortcut the process, but this temptation should be resisted. The evaluation seals the contract in a generic sense between the supervisor and subordinate. There is nothing worse than an ambiguous contract in the legal sense, this is no less true in employer-employee relations.

The appraisal also provides an opportunity to recognize good performance by means of pay incentives. Pay incentives should serve more as a recognition of achievement rather than a material reward.

The $3,000 incentive

"The BPA performance appraisal system was devised by a task force of line managers who continue to oversee its operation. Employee groups and union representatives were consulted regularly in the development of standards. We are in our third cycle of the program and have completed more than 6,000 individual appraisals.

"Bonneville is using sustained superior performance awards to reinforce the performance appraisal system. As Administrator, I have delegated to assistant administrators the authority to approve sustained superior performance awards of up to $3,000.

Unfortunately, government-wide statistics show some 70 percent of performance/merit pay employees' appraisals fell within the highly successful ratings. This differential is critical.

"We intend to continue improving our management systems. We can do this by more clearly linking performance appraisals, merit pay and cash awards so that they are mutually reinforcing. ■

(Also contributing to this series of interviews were Peter Durant—Campbell, and David Turner—Heclo.)

Book Review

Wasteful Federal Performance Parodied

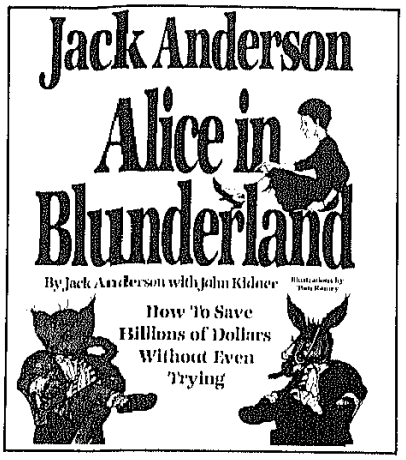
Alice in Blunderland. Jack Anderson. (Acropolis Books. 183 pages) After several outbursts and a roll of chuckles, four words come to mind after reading *Alice in Blunderland*—Give me a break!

Exaggeration is thick as the author takes you on a satirical journey through his wasteful kingdom of government bureaucracy. Along the way, he brazenly fires a couple hundred pot shots at the image of government workers.

In one illustration, a roomful of government clerks are drawn with no faces. The caption reads, "We like our wastemakers to be anonymous. They practice in front of mirrors to cultivate a blank look." Like a broken record, the book echoes the statement that government is intentionally big, vague, and grossly inefficient. And that bureaucrats have too much "upstairs ventilation"—you know, holes in their heads.

The story unfolds as a naive Alice dozes off into dreamland while trying to figure out her income taxes on a Standard Form 1040. While in dreamland, Alice learns the A,B,C's of government from such mundane characters as the philosophical Mr. B—as in bureaucrat ; the verbose Mr. Chairman—the government's official wordsmith; and the sharp-tongued Ghost of Alice Roosevelt Longworth—who crashes through walls riding a "political bull."

There is a dark side to risk-taking in Washington, D.C., and Jack Anderson may have spelled it out in *Alice in Blunderland.* Once again, he proves our federal officials are sitting targets when there is no bottom line—profit—by which to judge experimental


Jack Anderson
Alice in Blunderland
By Jack Anderson with John Kidner
How To Save Billions of Dollars Without Even Trying

policies. It is very easy to burn government managers alive in the fires of "wasteful spending."

I think government employees (also taxpayers!) will find the book sadly hilarious. ■

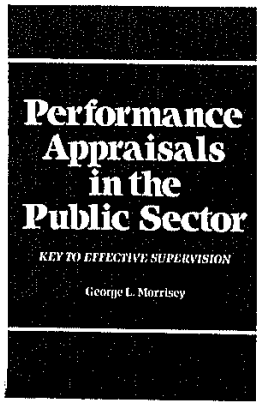
Review by Joyce Cannady.

Appraisals—Management "Diamonds"

Performance Appraisal in the Public Sector—Key to Effective Supervision. By George Morrissey. (Addison-Wesley Publishing Company. 172 pages) Almost ahead of the game, George Morrissey has just released a book which might help government managers add some polish to the facets which the Reagan Administration is now sculpting into the employee appraisal process.

In *Performance Appraisal in the Public Sector—Key to Effective Supervision,* Morrissey claims you can use performance appraisal as a developmental, rather than a strictly "score-keeping" tool. The author, a well-known speaker and writer who once preached the case for Management by Objectives (MBO), has changed. His standard approach to performance appraisal, which he first outlined eight years ago, is now a tailored approach. Management by Objectives and Results (MOR), replaces MBO.

Although the negative and



"score-keeping" aspect of any performance appraisal process is the most visible, Morrissey says, it is far from being the most important. Communication is the vital element.

Talk's cheap when discussing "goals" like slick communications. And, although Morrissey puts some models where his theories are, he avoids recommending specific appraisal forms, claiming they would defeat the premise of his thesis.

His three models focus on the need to establish "mutually agreed-upon" performance targets to ensure proper job output, as well as employee development. He does not claim to be usurping any traditional "managerial" perogatives. However, he does believe in extending and "sharing" such decisionmaking with employees. Morrissey also says his principles and techniques are applicable to managers and supervisors. This might give you a sense of how "broad" and intangible are the models he crafted.

Objectivity, no matter how ideal, Morrissey admits, is not entirely possible and subjectivity cannot be ignored. It is at this point Morrissey declares himself a true proponent of the merit-pay philosophy.

Morrissey urges government managers "to concentrate on looking for what is right with the new system rather than what is wrong with it." No more excuses. ■

Review by Annette Gaul

In Brief

HIGH COURT REJECTS MANAGER'S PERSONAL LIABILITY IN CIVIL SERVICE LAWSUIT

By Joseph A. Morris and Elizabeth H. Corey

Federal supervisors will no longer have to worry about the possibility of being sued individually by their employees for alleged violations of constitutional rights in performance-based personnel actions. The United States Supreme Court's decision in *Bush v. Lucas*, decided June 13, 1983, closed the door to such lawsuits.

In *Bush v. Lucas*, the Supreme Court reviewed the long history of federal civil service system remedies and determined that, even though those remedies may not give complete satisfaction to an employee who is a victim of an unwarranted or erroneous personnel action, they do provide meaningful relief such as reinstatement and back pay. Because civil service remedies, at the very least, are designed to put the employee back where he would have been had the unjustified or erroneous action not taken place, the Court declined to create a new remedy for money damages outside the civil service system.

William Bush, an employee of NASA, had complained to the news media about the management of the NASA facility in Alabama where he was employed. He said that he did not have enough work to do, that his job was "a travesty and worthless" and should be abolished, and that NASA officials were guilty of wasting the taxpayers' money. Largely because of these remarks, Bush was demoted from GS-14 to GS-12. He appealed his demotion to the Civil Service Commission. The Commission found that the demotion was improper because it was based on Bush's exercise of his First Amendment right to free speech. As a result of the Commission's findings, Bush was reinstated to his GS-14 position with full back pay.

While his administrative appeal was pending, Bush filed suit against his supervisor, William Lucas, for violation of constitutional rights. He asked the court to order Lucas personally to pay damages for the harm inflicted upon him by the demotion.

The court refused and, instead, ended the case by granting summary judgment for the defendant.

"This decision is expected to provide a sense of security for supervisors contemplating taking personnel actions against poorly performing and errant subordinates."

Because Bush already had an administrative remedy available to him, the court held that he was nc entitled to use a judicially developed constitutional claim to get an additional remedy. Bush ap pealed the decision to the United States Court of Appeals for the Fifth Circuit, but the Court of Ap peals affirmed the lower court's judgment.

Ultimately, Bush took his case t the Supreme Court. While acknowledging that Bush's demotion resulted in a violation of his First Amendment rights, the Supreme Court noted that over the years Congress had developed a system of statutes and regulations designed to provide a remedy for wrongful demotions.

The Court said that if Congress had wanted to provide for money damages to be paid by supervisors whenever an unfair or erroneous personnel decision was made, it could have done so. Because Congress had not seen fit to provide the money damages remedy, however, the Court refused to do it in Congress' stead.

The Court explained that because constitutional claims against supervisors arise directly out of the employer/employee relationship, which is governed by a compre-

Recent Decisions in Appeals of Performance-based Actions

By Carrol H. Kinsey, Jr.

Chapter 43 of the Civil Service Reform Act of 1978 (CSRA) requires the establishment of performance appraisal systems by each federal agency. It also authorizes agencies to reduce in-grade or remove an employee for unacceptable performance and provides procedures for such actions.

Because approved performance appraisal systems generally were not in place until after October 1, 1983, appeals of actions taken under Section 4303 are just beginning to wend their way through the appellate process to the Merit Systems Protection Board and the federal courts.

The first decision by the full Board in an appeal of a Chapter 43 performance-based action was in *Reeder v. Department of Housing and Urban Development*, Docket No. AT04328010239, 82 FMSR 5353, July 27, 1982.

The appellant was removed from his position as a GS-11 loan specialist based on the agency determination that his performance was unacceptable in three of the eleven critical elements for his position. The Board's presiding official determined in an initial decision that the agency had supported its action by substantial evidence and concluded, "despite close and detailed on-the-job training, appellant made numerous and repeated errors in performing critical elements of his position." While the appellant made numerous allegations of procedural error, he did not challenge the specific instances of unacceptable performance relied upon by the agency. Thus, the *Reeder* case did not present any substantive issues for the Board to decide. The Board, after finding that none of the procedural errors were harmful, affirmed the removal.

The second of the performance cases to be heard by the Board presented several Chapter 43 issues for review. In *Siegelman v. Department of Housing and Urban Development*, Docket No. DC04328110293, 83 FMSR 7004, January 10, 1983, the appellant was a GS-14 Urban Homesteading Specialist who was demoted based upon unsatisfactory performance of two of the critical elements of her position. The demotion was sustained by the Board's presiding official, and the appellant filed a petition for review by the full Board. Although the Board denied the petition for failure to meet its review criteria, the Board's opinion provided limited but significant guidance concerning the substantial evidence to be provided in support of performance-based actions, the agency's obligation to assist the employee in improving performance, and the application of performance standards in determining unacceptable performanee.

The *Siegelman* opinion suggests the question of adequate assistanee can be resolved in the agencies' favor if a "sincere effort" was made to assist the employee in improving performance. The Board, by highlighting the various activities undertaken by the agency in this case, has indicated that sincerity can be measured by the type of assistance provided. Further, it has noted that an ageney's use of instructions, meetings, and responsive replies to employee questions concerning performance constitute the assistance required by statute.

Significantly, the *Siegelman* opinion delimits the scope of the Board's review of performance standards, confining itself to an examination of how they were applied—not derived—by the agency in determining the acceptability of an employee's performance. The appellant charged that the standards used in her case were deficient, in an attempt to obtain Board review of the performance standards themselves. The Board, however, limited its review to "determining whether the agency has abused its discretion in establishing the standards at issue so as to cause harm to the employee to whom the standards were applied." In so doing, the Board made reference to the legislative history of Chapter 43, noting that the new performance appraisal system was intended to proteet employees from "arbitrary labeling of their work as unacceptable" and to ensure, through the use of objective standards communicated to employees, that "employees were made aware in advance of what was expected of their performance."

In limiting its review, the Board noted further that Congress intended to allow agencies considerable flexibility in assessing performance. In particular, the Board addressed appellant's contention that the performance standards violated *5 U.S.C. §4302(b)(1)* because they failed to establish speeific time targets and numerical measures for assessing the timeliness and quality of her work. The Board found that the statute requires deference be accorded "the agency's judgment as to whether performance standards for a GS-14

professional can feasibly incorporate specific deadlines and numerical measures." The Board ruled that the agency's exercise of judgment in assessing her performance was not unreasonable given the type of position she held. The Board's opinion in *Siegelman*, of course, relates to the specific facts of that case and may enjoy only limited application to performance-based actions in general. It nonetheless serves as an important signal of the Board's views on performance standards as applied to determine unacceptable performance. The opinion also reflects the Board's recognition of the need for management flexibility in evaluating performance under the Chapter 43 performance appraisal system.

Withholding within-grades

In *Carroll v. Department of Health and Human Services*, 703 F.2d 1388 (Fed. Cir. 1983), the United States Court of Appeals for the Federal Circuit affirmed the Board's determination that the agency's denial of a within-grade increase did not constitute disparate treatment. The petitioner claimed employees in different work modules were granted within-grade increases for performance similar to her own. The court underscored the United States Court of Claims decision in *Creamer v. United States*, 174 Ct. Cl. 408, cert. denied, 385 U.S. 819 (1966) which held agencies can properly consider factors other than numerical measures in determining whether an employee's performance was of an acceptable level of competence. The *Carroll* decision buttresses prior Board reliance on the *Creamer* decision in appeals of within-grade increase denials.

The Board has acknowledged that performance appraisals are properly linked to acceptable level of competence (ALOC) determinations under the terms of the CSRA. While that linkage is no longer a matter of dispute before the Board, the courts have been somewhat divided on the question. This is particularly true with regard to the agency's burden of proof. The United States Court of Appeals for the Third Circuit ruled in *Schramm v. Department of Health and Human Services and Merit Systems Protection Board*, 682 F.2d 85 (3rd Cir. 1982), that ALOC determinations be supported by "substantial evidence" as described in *5 U.S.C. §7701(c)(1)(A)* for actions taken under Chapter 43. Rather, the court held that a preponderance of the evidence must support the negative ALOC determination. This holding was in direct contravention of the Board's rulings in *Parker v. Defense Logistics Agency*, 1 MSPB 489 (1980) and its progeny. In *Williams v. Department of Education*, MSPB Docket No. PH0531D8110327, 82 FMSR 5412, September 17, 1982, the Board held it would apply the standard set in *Schramm* only in those cases appealable to the Court of Appeals for the Third Circuit and would continue to apply the substantial evidence burden in all others. It would appear this previous conflict concerning the proper burden of proof will be resolved now that the Court of Appeals for the Federal Circuit has exclusive jurisdiction over appeals of Board decisions. ■

Carrol Kinsey is an attorney in the Office of OPM's General Counsel. His fields of specialization include the law of performance management.

What's Happening

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(Continued from page 12)

You announce there's a certain category of jobs open, you have ten positions available and 100 people apply. It's clear you're overpaying people for the job.

On the other hand, if you have ten jobs open and nobody applies, you're underpaying people. I mean, of course, reasonably qualified applicants—those who meet whatever requirements you set down for the work. Proceed in that direction.

Isn't that just as important as removing any fear which civil servants may have of the private workshop?

Management. Are you suggesting that, instead of examining for civil service positions, they should be distributed at auction, with the civil service job going to the lowest bidder for wages?

Friedman. Well, it's not a bad idea. Government should pay until the number of applicants is equal to the number of openings. Again, it well may be that you have to go through 20 people whom you really regard as qualified—a ratio of two to one—in order to fill your ten jobs.

Management. Please look at two traditional defenses of the civil service system.

One is the notion that a career work force is a conservative feature in the governing process—a brake, a restraint on excessively rapid shifts in public sentiment being translated into public policy.

The second, major argument involves the need to retain expertise and continuity in governmental operations. Consider the efficiencies, the utility benefits derived from that protection against market—or political—changes.

Friedman. It's true you need continuity. And, in general, shifts from Republican to Democratic Administrations haven't involved major changes in the federal worker policies.

But, the past few years have been different. There has been a major change in the attitude of the public-at-large about what they want from their government employees.

It's the same kind of a switch that occurred in the 1930's under the New Deal—but in the opposite direction.

In the 1930's, you had a major change in favor of giving government a larger role and having it serve as a major instrument for designing, controlling and interfering in the society and the economy. Recently, voters have been expressing a view that they want government to be cut down—become smaller, less intrusive. Under the circumstances, the kind of continuity you're defending works to prevent that long-range change in public opinion from becoming effective.

Second, as to expertise: The question is how to make sure that the expert serves the interest of the person who hires him, and not the interest of the expert.

Let me tell you a little story that I'm sure you know all about—it involves our situation in the field of education. There is no argument that education is a disaster area.

Go back and look at the history of education and you'll find that in the 1890's, 1900 and so on, you had a very high degree of local control in our schools—even in the large cities. In my opinion, the present malaise emerged when we handed over so much control to educators—the professionals.

"I don't want any more expertise. I want more control by the public over what's done. I think decentralization or 'federalism' would be an enormously effective step toward bringing the civil service closer to the people . . ."

We have taken the control out of the hands of the people who really are interested in education, namely, the parents.

I don't want any more expertise. I want more control by the public over what's done. I think decentralization or "federalism" would be an enormously effective step toward bringing the civil service closer to the people they supposedly serve.■

School Opens for Performance Management

Supervisors and managers eager to get a head start with the government's work-incentive initiatives may now sign up for classes at OPM's new Performance Management Training Institute.

Operated by OPM's Office of Training, the Institute offers four basic plans to interested agencies. On-shelf courses, which comprise the heart of the Institute's training, are available to individual officials and are taught at OPM's training headquarters in Washington and at regional training centers.

Topics for these courses range from discussions of pay and incentives as a performance tool, to classes on how to correctly design award systems which will lead to significant improvements in an agency's overall efficiency.

Other options available to agenies include on-site training by OPM instructors; OPM assistance in organizing agency-wide training programs; and use of outside consultants to establish agency training efforts conducted under special technical assistance arrangements.

For additional information on these courses and services, call (202) 632-5600.■

BREAKTHROUGH STUDY BOOSTS MERIT BACKERS

By Naomi Pfefferman

A major academic report comparing two popular systems for handling worker pay determinations in large organizations reveals merit-based systems increase productivity by as much as 20 percent over seniority-based policies. The study was released this summer by Indiana University School of Business researchers Charles Greene and Philip Podsakoff.

Greene tells **Management**, "Today's trend toward performance pay incentives appears to be exactly the right policy to pursue if managers in this country are trying to increase productivity."

The year-long study was conducted at two factories located in similar midwestern towns, 100 miles apart. Both were operated by the same firm and produced similar products. One of the plants recently switched from incentive pay to hourly wages based on seniority. The second plant maintained its merit pay program.

The change at factory number one produced near-catastrophic results in personnel management. Greene says the study's most obvious conclusion was that if a manager wants to keep his or her best workers—and keep them productive—offer merit pay.

Straight hourly wages with built-in, automatic raises increase job dissatisfaction and higher turnover among good workers.

Although the overall number of grievances were down 40 percent at plant number one, the majority of complaints came from high performers. They objected to the loss of opportunity to earn more money. Workers with low performance records were more satisfied with set wages—but they were also less productive on the job.

Even more disheartening for managers at plant number one has been the decision by top workers to move on to greener pastures. The statistics are significant—approximately 65 percent of employee turnover has been comprised of high performers leaving—up from a 30 percent turnover among the same group a year earlier.

The study of 1,100 workers and supervisors was conducted in ideal laboratory conditions, "a researcher's dream," says Greene. The facilities were two paper mills, both were unionized and operated under identical organizations.

Most important, both maintained incentive pay programs (which were based on monthly appraisals) until July 1977. At that time the first plant announced it was abandoning merit pay and adopting a flat-rate, seniority-based system. Plant number two, which served as a control group in the study, maintained its system of incentive pay.

The results have stirred widespread interest in management circles. Although Greene and Podsakoff anticipated the seniority system might lead to some deterioration of productivity and job satisfaction, they were surprised by the contrasting attitudes of high and low performers. Evidence suggests the increase in job satisfaction among the low performers is an expression of relief at not being "under the gun" to increase productivity, the researchers said.

Seniority accentuates negative

Greene and Podsakoff also report on changes among plant supervisors. Most viewed the switch as a loss in their influence when dealing with subordinates. The line workers share this perception. They felt their own supervisors' "power" to make rewards and to influence higher management declined considerably. Supervisors found themselves relying increasingly on "punishments" such as reprimands, threats to make layoffs, or making derogatory personnel reports in order to keep workers productive. ■

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